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Report of the Secretary-General

Summary

The present report updates the Economic and Social Council on actions undertaken by the regional commissions during the period under review with respect to the guidance given in annex III to Council resolution 1998/46 of 31 July 1998 on their contributions and relevance to the reform process of the United Nations. In addition, in response to Council decision 2003/205 of 28 January 2003, the report explores, in section III, the theme for the regional cooperation item at the Council's substantive session of 2003, which is "Development dimensions of trade negotiations: a regional perspective". The report also provides, in section IV, the report of the Executive Secretaries, which is submitted to the Council in accordance with General Assembly resolution 1823 (XVII) and Council resolution 1817 (LV).

The resolutions and decisions adopted by the regional commissions during the spring of 2003 that require action by the Council or are brought to its attention are contained in addendum 1 (E/2003/15/Add.1).

The summaries of the economic surveys of the five regions are provided to the Council for its consideration (see E/2003/16-20). The annual reports of the regional commissions are made available as background information as they address issues relevant to the matters that are the concern of the present report and its addendum. They are issued as supplements to the *Official Records of the Economic and Social Council*.

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Introduction

1. In its resolution 1998/46, the Economic and Social Council recognized the dual role of the regional commissions as outposts of the United Nations and as its regional expression. In the same resolution, the Council provided guidance to the regional commissions with respect to their contributions and relevance to the reform process of the United Nations. Since the adoption of this resolution in 1998, the regional commissions have been reporting yearly to the Council on the measures taken in response to the guidance it provided. In addition to providing information on such measures, which member delegations of the Council have welcomed, the present report explores interregional cooperation in the context of the efforts of the regional commissions to build bridges towards understanding development requirements and for promoting regional and international cooperation. The report of the Executive Secretaries, which is contained in section IV, reflects their views on many of the issues addressed in the report.

I. The regional commissions as the regional expression of the United Nations

A. Significant substantive issues before the commissions' sessions in 2003 or with which the commissions have been seized during the period under review

2. During the period under review, the regional commissions dealt with a wide spectrum of issues in the economic, social and political spheres. They ranged from regional development and regional integration in the context of the global economy, sustainable development, combating poverty and HIV/AIDS to the impact of conflicts on the economic and social development of the regions.

Economic Commission for Europe

3. The high-level policy segment of the fifty-eighth session of the Economic Commission for Europe (ECE) was devoted to discussions concerning both economic development and sustainable development in the ECE region. The annual session also featured a Gunnar Myrdal lecture, with the 1993 Nobel Prize laureate Douglas C. North giving a lecture on "The role of institutions in economic development".

4. On the basis of the *Economic Survey of Europe 2003 No.1*, it was noted in the debate that the outcomes for the world economy for 2002 were generally disappointing as the global recovery had lost momentum in the course of the year. World output growth continued to be strongly dependent on economic developments in the United States, but that country's recovery only provided a limited impetus to global economic activity, as its private household spending could not fully offset the negative impact of low business investment activity.

5. An upturn in Western Europe failed to materialize and economic growth in the region remained subdued, with economic growth actually decelerating substantially in the euro area. Unlike the situation in the United States, where strong support from economic policy prevented a further weakening of output growth, macroeconomic

policy in the euro area was not adequately responsive to the pronounced cyclical downturn and provided little support to economic activity.

6. By contrast, the Eastern European and Commonwealth of Independent States (CIS) economies demonstrated surprising resilience to the global slowdown and in 2002, these economies grew by 4.8 per cent and 4.1 per cent, respectively. For 2003, ECE projects a 4.2 per cent expansion for these economies, but only 1.6 per cent growth in the European Union and 2.5 per cent in the United States. The main factors that contributed to the high pace of output growth in the Eastern European and CIS economies were the strong growth of their domestic demand and, in several cases, their unexpectedly good export performance. The short-term economic outlook in the ECE region remains subject to major downside risks. Among the acute risk factors are the heightened geopolitical risks related to the conflict in Iraq and its possible negative global economic repercussions. The persistence of structural imbalances in the global economy (such as the large current account deficit and the high levels of private sector debt in the United States) is also likely to continue to restrain world economic growth. Eastern Europe and the CIS in general should preserve their growth momentum in 2003, but the risks for the successful continuation of their recovery are also on the rise. Given the considerable uncertainties and risks in the global economy, achieving a sustained upswing in the major Western European economies is important for restoring the balance of economic growth in the whole ECE region.

7. While in the longer run invigorating growth in Western Europe hinges on the implementation of major structural reforms, in the short run it is macroeconomic policy, particularly in the euro area, that should provide a stronger impetus to economic activity. Thus, with respect to monetary policy, there is scope for a further reduction in interest rates (also to offset the sizeable appreciation of the euro), while fiscal policy should concentrate on the needed reforms of the Stability and Growth Pact to allow for a greater flexibility and a greater counter-cyclical responsiveness in difficult times.

8. Member States emphasized that ECE had already done important work in the area of sustainable development even before the World Summit on Social Development, and its expertise would be fully utilized when reviewing and monitoring national sustainable development plans, and when pursuing with other regional organizations coordinated approaches such as the Euro-Mediterranean Partnership and the Great Lakes and Baltic Sea Partnership initiatives. Member States also stressed that ECE should play an active role in supporting the implementation of sustainable development strategies; in creating new partnerships; and in ensuring a balanced integration of the three dimensions of sustainable development into all sectors of activities, including the development of indicators for sustainable development.

Economic and Social Commission for Asia and the Pacific

9. In view of the inauspicious regional situation resulting from the outbreak of severe acute respiratory syndrome (SARS), it was decided that the fifty-ninth session of the Economic and Social Commission for Asia and the Pacific (ESCAP) would be held in two phases. The first phase of the Commission session was held on 24 and 25 April 2003, to deal mainly with programming and management issues, as well as transit transport issues in landlocked and transit developing countries. All

other substantive issues intended for discussion at the Commission session, including its theme topic of HIV/AIDS, would be dealt with in the second phase, the dates for which were still to be decided, and would be included in the report to be submitted to the ECOSOC at its resumed session.

10. The Commission noted that, in an era of globalization, economic growth and development were closely linked to the provision of adequate and efficient transport infrastructure and services. In that respect, it also noted that landlocked and transit countries in the Asian and Pacific region were particularly constrained by a range of difficulties consisting of geographic disadvantages, high transport costs, less developed infrastructure facilities and inadequate management information. The Commission further noted that emerging opportunities for intraregional trade were stimulating the demand for landlocked countries to serve as "land-linking" countries by providing transit services to their neighbours.

11. The Commission recognized that, for transit transport issues to be addressed effectively, a comprehensive approach was required involving relevant government ministries, agencies and the private sector. It considered that there was a need to establish mutually beneficial partnerships between landlocked countries, transit developing countries and the international community that included collaboration with other relevant stakeholders, such as donors and the private sector. The Commission proposed that landlocked and transit developing countries should, with the assistance of donor countries and international organizations, enhance their bilateral and multilateral cooperation and promote economic and trade development within the region by formulating model framework agreements that could be utilized by countries to facilitate and increase the efficiency of transit transport.

12. The Commission expressed its support for the proposed framework of recommendations and action plan as a practical structure for strengthening transit transport systems. The Regional Platform was endorsed for submission to the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, to be held in Almaty, Kazakhstan, on 28 and 29 August 2003.

Economic Commission for Latin America and the Caribbean

13. In preparation for the Third Regional Conference in Follow-Up to the World Summit for Social Development and in the light of the United Nations Millennium Declaration commitments, the Economic Commission for Latin America and the Caribbean (ECLAC) is focusing its work on the theme of poverty eradication in the region and grappling with the concept and measurement of poverty and its determinants, as well as proposing strategies that can lead to poverty eradication.

14. The relevance of poverty in Latin America and the need to address this problem become evident when analysing regional data: in 2000 one out of five Latin Americans lived in extreme poverty (88 million people) and almost half of the inhabitants of the region lived in poverty (207 million). Extreme poverty and poverty, whose levels vary widely among countries in the region, were reduced during the 1990s, but at the end of the decade the pace of reduction slowed and some of the gains were even reversed.

15. Since poverty is a complex phenomenon with multiple dimensions and causes, it is very difficult to obtain a complete picture from a single poverty indicator, such as the income poverty headcount. Furthermore, ECLAC recognizes that the aggregation of different indicators into a composite index may not be directly useful for the design of poverty eradication policies. The determinants of poverty are also multifaceted, as they are linked to demographic dynamics, macroeconomic factors and employment conditions, as well as to gender and ethnicity. Demographic dynamics present a close link with poverty trends. Without improvements in the income levels of the poor, a demographic push will inevitably bring an increase in poverty rates. Macroeconomic crises, on the other hand, disproportionately affect poor people, who are more vulnerable than others to the consequences of external, fiscal and financial crises. Moreover, during the 1990s, in Latin America macroeconomic policies directed towards macroeconomic stability and the integration in the world economy failed to consider explicitly the effects on real variables such as growth, employment and investment, with negative consequences for the poor. One of the most harmful consequences of crises has been the significant growth of unemployment rates among the poor, which not only raises the incidence of poverty, but also worsens poverty gaps. Besides lack of income and education, unemployment becomes another factor affecting poor households.

16. Women and indigenous people are among the poorest in Latin America. Women's contribution to total household income in the region averages around 32 per cent. The average increase in the relative contribution of women during the 1990s, however, was 4.9 percentage points, reflecting some progress towards gender equality. Indigenous people, Afro-Latin and Afro-Caribbean populations are among the poorest in the region because of a combination of factors, such as progressive loss of control over land, the breakdown of communal economies, low levels of education, unemployment, and difficulties in accessing services.

17. In order to eradicate poverty in Latin America and the Caribbean, ECLAC has proposed a strategy based on two pillars: the generation of opportunities and the development of capacities. The first pillar relates to the need to attain a sustainable rate of economic growth resulting in the creation of labour-intensive employment and in the strengthening of the material assets of the poor. The second pillar recognizes that human capital is developed through investment in health and education, and that it is a prerequisite that individuals participate productively in the labour market for countries to attain development. Social capital is also an essential component of the second pillar as it is particularly important to promote poor people's participation at the community, local and national levels.

18. This strategy is built on the belief that one of the main objectives of social development policies must be improvement of the standard of living, particularly that of the poorest people. Thus, public interventions should be oriented towards guaranteeing at least a minimum level of income and quality of life and, complementarily, minimizing inequities between the middle or upper classes and the poor.

Economic Commission for Africa

19. In 2003, for the first time, the Economic Commission for Africa (ECA) and the African Development Bank synchronized their annual legislative meetings to allow senior policy makers to agree on strategies in time for crucial negotiations at the

annual meetings of the Bretton Woods institutions and to discuss and chart new policy initiatives. The Annual Meeting of the African Development Bank and the Annual Conference of Ministers of Finance, Planning and Economic Development of ECA were held back-to-back and were preceded by a meeting of the Economic Commission for Africa Committee of Experts. As part of the new arrangement, the two institutions sponsored the Annual Meetings Symposium; its theme was "Poverty reduction, social development and the Millennium Development Goals in Africa: are we making progress on the ground?"

20. The thirty-sixth session of the Economic Commission for Africa was convened under the theme "Towards greater coherence and mutual accountability for development effectiveness". This theme was conceived to provide an opportunity for senior African policy makers to contribute to the ongoing discussions at the global level on issues of policy coherence and harmonization towards enhancing the effectiveness of development assistance.

21. A significant feature of the New Partnership for Africa's Development (NEPAD) is its focus on transforming Africa's relationship with its development partners as a means of achieving coherence and effectiveness in development assistance. Discussions at the thirty-fifth session of ECA, in October 2002, focused on the key determinants of aid effectiveness, with emphasis on actions to be taken by African countries and their development partners in operationalizing NEPAD and ensuring that the principles and objectives of the initiative are translated to country-level programmes and projects. The Ministers recommended greater harmonization of aid policies to reduce transaction costs; simplification of aid practices; and, where conditions allow, the channelling of aid through the national budgets of recipient countries.

22. Several important developments and events since the thirty-fifth session of the Commission have re-emphasized the need for more dialogue on the issue of policy coherence and mutual accountability. They include the discussions at the annual ECA "Big table" event, which was convened in January 2003 to examine practical modalities and arrangements for operationalizing the principle of mutual accountability. Other issues discussed at the thirty-sixth session included issues of market access, agricultural subsidies of the Organisation for Economic Cooperation and Development (OECD) countries, debt relief for the heavily indebted low-income countries and commodity prices. The discussion on these issues drew on the extensive technical work jointly undertaken by ECA and OECD in the context of the review of the impact of aid policies and practices for Africa's development prospects. In view of the role assigned to ECA in the work of the newly established Commission on HIV/AIDS and Governance in Africa, links between HIV/AIDS and governance in various sectors, including agriculture, youth and the military were also examined by the Conference. In addition, the Conference reflected on the possible implications for the continent's growth prospects of the recent self-assessment exercise embarked on by the IMF.

Economic and Social Commission for Western Asia

23. The deliberations at the twenty-second session of the Economic and Social Commission for Western Asia (ESCWA) started with a public round table on the "Impact of the lack of stability in the Western Asia region on economic and social development". The round table gathered together heads of delegations and

prominent Lebanese political leaders and thinkers, who emphasized, in particular, the importance of enhancing the role of the United Nations and the League of Arab States in this regard. They also stressed the necessity for international legitimacy in order to achieve interaction with civil society and enable it to contribute to decision-making. Participants agreed that lack of stability was the greatest obstacle to development. They underscored the necessity of activating the links between decision makers and all social actors, including non-governmental organizations.

24. According to ESCWA estimates, war in the past decade may be held directly responsible for losses amounting to some US$ 600 billion from the gross domestic product of the countries of the region. It is expected that, as a result of the war against Iraq, those losses will increase to $1,000 billion. In terms of lost employment opportunities, those losses represent between four and five million job opportunities, a figure that is expected to rise to between six and seven million as a result of the war against Iraq.

25. In its recent reform and restructuring exercise, ESCWA reconsidered its orientations and programme of work so as to provide a better response to the needs of its member countries which at the last session of the Commission decided that the work of ESCWA should focus on regional integration, and more specifically on the four high priority areas of water, globalization, social policies and technology.

26. Concerning regional integration, ESCWA started developing an integrated transport system in the Arab Mashreq that has had quick results: the Agreement on International Roads in the Arab Mashreq was adopted at the twenty-first session in 2001; the Agreement on International Railways in the Arab Mashreq was adopted at the twenty-second session; and at the twenty-third session, an agreement on maritime routes will be adopted, in a further effort to achieve regional integration and cooperation.

27. At the twenty-second session the ESCWA work programme, which focused on Arab regional integration and on the four priority areas cited above, was reviewed and note was taken of the work undertaken in preparation for the World Summit for Sustainable Development and the World Trade Organization Doha Development Round, as well as the World Summit on the Information Society to be convened in Geneva in December 2003.

28. With respect to activities relating to Palestine, ESCWA continues to prepare an annual report on the "Economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the occupied Palestinian territory, including Jerusalem, and of the Arab population in the occupied Syrian Golan". At the session also, strengthening Arab regional cooperation, the role of ESCWA in coordinating regional activities of the United Nations and the designation of the commission's sessions as pledging conferences were also discussed.

29. The session concluded with the adoption of a number of resolutions, in which the Commission recommended: the holding of an Arab international forum on the economic and social rehabilitation and reconstruction of Palestine; the establishment of a committee on women at ESCWA; the establishment of a United Nations Arab language centre at ESCWA; and the formulation of a regional plan of action for an information society.

B. Regional preparations and follow-up to world conferences and other global meetings

30. The regional commissions have been given specific mandates for the follow-up to the major global conferences. In that regard, the Council also invited the regional commissions to further strengthen their active participation relating to the implementation at the regional level of the results of major United Nations conferences and summits. The present section provides a brief analysis of the role being played by the regional commissions in respect of the most recent of the global conferences and summits, the International Conference on Financing for Development and the World Summit on Sustainable Development, as well as of regional preparation for the three upcoming conferences, the international meeting on small island developing States, the World Summit on the Information Society and the international ministerial conference on transit transport cooperation.[1]

1. Follow-up to the International Conference on Financing for Development

Economic Commission for Europe

31. The work of ECE in follow-up to the International Conference on Financing for Development has focused on analytical work; promoting policy dialogue, including the sharing of best practices; the development of norms, standards, agreements and conventions in the trade and transport sectors, as well as the monitoring of their implementation; and on questions related to financing. The analysis contained in the *Economic Survey of Europe 2003, No. 1*, continued to address the macroeconomic developments, trade, capital flows — including foreign direct investment (FDI) — and the external debt situation in Eastern Europe and the CIS countries. The *Survey* included a study on "The transition economies" which addressed, inter alia, the foreign indebtedness of Eastern Europe and the CIS countries and their access to the global financial markets, as well as the coherency and consistency of macroeconomic policies in the light of rising fiscal deficits in several Eastern European and CIS countries. The importance of reforms in economic development was addressed in "Progress in systemic reforms in the CIS" and that of good corporate governance in "Corporate governance in the ECE region".

32. The exchange of best practices was facilitated by ECE through the organization of a number of relevant events, including an expert meeting on "How to become a supplier of large enterprises and transnational corporations" and seminars on "How to build dynamic and successful public-private partnership units" and on "Trade, business and investment in a wider Europe" to examine the consequences of European Union (EU) enlargement for the region. Also, in support of greater transparency in trade regulations and procedures and to reduce non-tariff barriers that hamper international trade, the ECE Working Party on Technical Harmonization and Standardization Policy adopted a new Recommendation "L" for an "International model for technical harmonization based on good regulatory practice". It also launched at the same meeting a pilot project for implementation of this recommendation in the telecommunications sector. In regard to financing, the ECE Working Party on Transport Trend and Economics will, in September 2003, consider the issue of financing schemes for transport infrastructure. ECE has also recently completed a report on "Cost benefit analysis of transport infrastructure projects".

Economic and Social Commission for Asia and the Pacific

33. The Asian and Pacific region is diverse in character, and different countries give different emphases to the different dimensions of financing for development. For least developed countries, island countries and countries with economies in transition, the key challenge is to mobilize concessional and domestic resources for development. For other countries, there is concern about falling FDI levels and the need to expand access to private sources of funding, both through traditional banking channels and by participation in financial markets.

34. Among other issues, the *Economic and Social Survey of Asia and the Pacific 2003* examines the problem of the insufficiency of public resources to expand education and health to satisfy the needs of all citizens and highlights the need to augment their provision from the private sector. To address the issue of bank finance, the ESCAP secretariat organized in October 2002, jointly with the Asian Development Bank, a seminar on "Rejuvenating bank finance for development in Asia and the Pacific". The economic crisis that affected several countries in the region in 1997 had its severest impact on the banking systems of those countries, leading to the phenomenon of the "credit crunch". Rejuvenating banking is thus an urgent need if countries in the region are to regain their pre-crisis momentum of growth.

35. A substantial portion of external resources are in the form of debt, whose optimal management raises major policy issues. ESCAP plans to hold in late 2003 a regional workshop on sustainable debt management and on innovative sources of finance in the region. The workshop is expected to strengthen national capacity to formulate and implement effective policies in the management of external debt, with the specific aim of minimizing the burden of debt services and of providing additional sources of development finance for countries in the region.

Economic Commission for Latin America and the Caribbean

36. ECLAC has been contributing to the efforts of countries of Latin America and the Caribbean towards achieving progress in the "leading actions" identified in the Monterrey Consensus. In the area of mobilizing domestic financial resources for development, ECLAC has continued working on several projects concerned with enabling the domestic economic environment for growth and development in the region. In cooperation with the Government of the Netherlands, ECLAC has been implementing a project entitled "Financial policies to increase savings and promote social equity", aimed at providing policy recommendations to its member States to strengthen the savings capacity of households, particularly lower income ones. Case studies were carried out in Bolivia, Costa Rica, El Salvador and Uruguay, following which a seminar on "Popular saving in Europe: lessons for Latin America" was organized (La Paz, Bolivia, 3-4 June 2002). Under the project another report, entitled "Housing finance and access to housing for lower income households in Latin America", was published in September 2002 as part of the ECLAC Financing for Development Series. Also, the Fifteenth Regional Seminar on Fiscal Policy (Santiago, Chile, 27-30 January 2003), organized in cooperation with the World Bank, the International Monetary Fund (IMF), the Inter-American Development Bank (IADB) and the Government of Chile, dealt with two issues of financing for development: fiscal policy in highly indebted poor countries and strengthening the international financial architecture.

37. With the sponsorship of the German Agency for Technical Cooperation (GTZ), ECLAC has been executing a project entitled "Institutional requirements for market-led development in Latin America". In addition, as part of a joint Korea Institute for International Economic Policy/ECLAC project, a report entitled "Multilateral banking and development financing in a context of financial volatility" was published in June 2002. ECLAC is about to begin implementing, with the sponsorship of GTZ, another project entitled "Strengthening the role of regional and national financial institutions for sustainable social development".

38. In the areas of mobilizing international resources for development: foreign direct investment and other private flows, and external debt, in April 2003, ECLAC launched its *Foreign Investment in Latin America and the Caribbean, 2002 Report*. This publication provides a broad review of FDI trends in Latin America and the Caribbean, offers a comprehensive discussion of investment flows to the Andean Community countries and analyses flows from transnational banks to the banking sector in the region.

39. Regarding the area of addressing systemic issues, as part of a joint United Nations University/World Institute for Development Economics Research/ECLAC project on capital flows to emerging markets since the Asian crisis, two reports were published in March 2003, entitled "Financial regulations and supervision in emerging markets: the experience of Latin America since the tequila crisis" and "Financial crisis and national policy issues: an overview". In addition, ECLAC organized an international seminar on "Management of volatility, financial globalization and growth in emerging economies" (Santiago, Chile, 24 April 2003).

Economic Commission for Africa

40. ECA has been supporting African countries through a variety of activities aimed at ensuring the coherence and consistency of the international monetary, financial and trading systems. Thus, ECA support has been focused on measures to enhance domestic resource mobilization, official development assistance (ODA), international trade flows and debt relief as critical elements for achieving coherence in financing for development.

41. ECA has been supporting African countries to formulate and implement sound economic and financial policies for the development of efficient banking and financial systems through the provision of technical and advisory services to member States. Several meetings and workshops/expert group meetings and conferences focusing on the design and implementation of appropriate policies for domestic and external resource mobilization were held in 2002. In addition, a capital markets development project was launched in 2003 to address the problem of weak capital markets in Africa at the regional and national levels and thereby strengthen the capacity for domestic resource mobilization. The project will also provide capacity building support to member States in adopting policies and establishing the necessary framework to support the development of capital markets in Africa.

Economic and Social Commission for Western Asia

42. With respect to the area of external debt, ESCWA participated in the third meeting of the Debt Management and Financial System (DMFAS) Advisory Group of the United Nations Conference on Trade and Development (UNCTAD), held in Geneva on 12 September 2002. The issues addressed included debt-management

capacity-building and reviewed experiences of countries in managing their respective external debts. In addition, a study was initiated by ESCWA in early 2003 on external debt management in the region, with case studies on Jordan and Lebanon.

43. ESCWA and UNCTAD are cooperating to implement a project on "Networking of expertise on foreign direct investment in the ESCWA region" and have also jointly held a training workshop entitled "Methodological standards for compilation of statistics on foreign direct investment and the activities of transnational corporations". ESCWA participated in an expert group meeting on experiences with bilateral and regional approaches to multilateral cooperation in long-term cross-border investment, particularly foreign direct investment, held in Geneva from 12 to 14 June 2002. ESCWA is currently preparing a study on attracting FDI and improving investment climate and mobilization of domestic savings, with special case studies on Bahrain, Jordan and Yemen, the region's least developed country.

2. Follow-up to the World Summit on Sustainable Development

Economic Commission for Europe

44. In follow-up to the World Summit on Sustainable Development, ECE reviewed, at its fifty-eighth session, the national strategies for sustainable development of its member States, as well as the lessons learned. The following key points emerged from the discussions:

(a) Successful implementation of national strategies needs high-level political commitment and an appropriate institutional and legislative framework, dialogue involving all stakeholders and broad partnerships.

(b) The national sustainable development plan should be a living document, with reviews and monitoring mechanisms put in place. Its development and implementation should be a continual learning process. Progress in implementation should be measured with concrete indicators, clearly identified targets and a fixed timetable. Peer reviews could be particularly helpful in this context.

(c) Among the priorities or areas commonly addressed by countries are the decoupling of economic growth from environmental degradation; changing production and consumption patterns; fighting poverty and ensuring social cohesion; health; sound management of natural resources; sustainable energy policy; environmental protection, research, technology and innovations; land use, urban planning and development; and environment-friendly mobility.

45. With a view to implementing the decisions of the World Summit and mainstreaming them in ECE work, a Senior Management Group for Sustainable Development, chaired by the Executive Secretary, has been established and will convene regular meetings in order to ensure a consistent pattern of activities in the Commission. The group is also responsible for preparing ECE secretariat inputs to the Commission on Sustainable Development, cooperation with regional partners, as well as the other regional commissions, and supporting other relevant work, such as the contribution of the Economic Survey to enhancing sustainable development.

Economic and Social Commission for Asia and the Pacific

46. Recognizing that public-private partnerships would offer a flexible solution to government budgetary constraints in the delivery of basic services, ESCAP is implementing a major project entitled "Providing basic services to the poor through public-private partnership: ESCAP follow-up to the World Summit on Sustainable Development". The project aims to demonstrate best practices and to strengthen institutional capacities for developing and facilitating pro-poor public-private partnerships in the region.

47. Emphasis has also been put on capacity-building for strategic planning and management for sustainable development, as well as action plans in the environment, energy and water sectors. A study has been carried out in cooperation with the United Nations Development Programme (UNDP) with the aim of providing useful guidelines to decision makers regarding the formulation and implementation of improved policies towards sustainable development. Based on the study, training programmes are being planned to enhance the institutional capacities of countries for environmental governance. Training programmes also continue to be under way to assist developing countries in negotiating and implementing multilateral environmental agreements.

48. In the energy sector, ESCAP continues to provide assistance in capacity-building in three main areas: energy planning, energy efficiency and renewable energy for sustainable development. In the area of water resources, a major focus has been on the promotion of public awareness of water resources and the establishment of regulatory framework for water conservation. ESCAP provides technical assistance to member countries in integrated water resources management, efficient water use, wastewater management, water quality control, and private sector involvement in the provision of safe water supply and sanitation services. Initiatives have also been taken to improve water services to the poor, which should assist countries in meeting the Millennium Development Goal of halving the proportion of people without access to safe drinking water and basic sanitation by 2015.

49. ESCAP continues to facilitate and strengthen regional and subregional cooperation, as well as networking for the effective implementation of regional initiatives and is considering convening a senior-level policy forum on follow-up to the World Summit to jump start the implementation at the regional level of the commitments undertaken at the Summit.

Economic Commission for Latin America and the Caribbean

50. For ECLAC, the follow-up to the World Summit on Sustainable Development began in Johannesburg, where, together with the Government of Mexico, UNDP and the Andean Development Corporation (ADC), it co-organized on 3 September 2002 a side event on "Financing and investment for sustainable development in Latin America and the Caribbean: regional perspectives on the fulfilment of the Monterrey Consensus and the Plan of Implementation for Johannesburg". The goal of this event was to link the achievements of the Monterrey Summit with the Millennium Development Goals and the Plan of Implementation of the Johannesburg Summit. The event provided an opportunity to examine the regional challenges to financing for sustainable development and to obtaining additional resources — both public

and private — towards the creation of cooperation opportunities for the public and private sectors and the regional multilateral financial organizations.

51. Since October 2002, ECLAC, together with the German Agency for Technical Cooperation (GTZ), has started implementing a project, "Policy strategies for sustainable development in Latin America", focusing on renewable energy and fiscal policy. Also in October 2002, ECLAC organized a dialogue among Latin American and Caribbean Governments and civil society representatives on the follow-up to the Access Principle of the World Summit on Sustainable Development, which is part of the Johannesburg Action Plan. In January 2003, ECLAC, the International Monetary Fund (IMF), the World Bank and GTZ organized a workshop on "Fiscal policy and environment in the Latin American and the Caribbean countries". Finally, in March 2003, ECLAC organized, together with the National Commission for the Environment of Chile (CONAMA), the University of Chile, and Resources and Research for Sustainable Development (RIDES), the "Third academic dialogue on the environment" which focused on the implementation of the Johannesburg commitments on energy.

Economic Commission for Africa

52. The World Summit on Sustainable Development Plan of Implementation reserves a special chapter for Africa which affirms the international community's commitment to support sustainable development in Africa through addressing the special challenges facing the region by taking concrete actions to further implement Agenda 21 within the framework of the New Partnership for Africa's Development (NEPAD). In conformity with the World Summit, ECA has revised the medium-term plan of its subprogramme "Fostering sustainable development in Africa" with the explicit objective of supporting the implementation of the outcomes of the World Summit in the context of the Millennium Development Goals and NEPAD during the 2004-2005 biennium.

53. On the institutional side, at the thirty-first session of the ECA Conference of Ministers of Finance, Planning and Economic Development, held in October 2002, it was decided to strengthen the Committee on Sustainable Development, by merging it with the Committee on Natural Resources and Science and Technology. The broadened Committee will provide a comprehensive platform for advocacy and the assessment of follow-up activities by African Governments to regional and global plans of action. The Committee on Sustainable Development will meet in October 2003 and discuss some key issues pertaining to sustainable development in Africa, including food security, science and technology and the follow-up to the World Summit Plan of Implementation.

54. ECA is currently preparing a biennial publication, *Tracking Sustainable Development in Africa*, that will provide key indicators of sustainable development and livelihood (featuring critical elements of the economic, social, institutional and environmental dimensions of sustainability), highlight best practices and provide in-depth analyses of selected themes on sustainable development. In addition, to reflect better the integrated nature of sustainable development challenges, ECA plans to broaden the composition of its Conference of African Ministers to incorporate key policy makers directly concerned with natural resources and environmental matters, such as ministers of agriculture and the environment.

Economic and Social Commission for Western Asia

55. The regional preparatory process organized by ESCWA for the World Summit on Sustainable Development contributed to the adoption of the Arab Ministerial Declaration on Sustainable Development and of the Sustainable Development Initiative in the Arab Region, which was launched in Johannesburg.

56. At its fourteenth session, held in Sharm al-Sheikh, Egypt, on 23 and 24 October 2002, the Council of Arab Ministers Responsible for the Environment (CAMRE) called for the establishment of a joint bureau comprising ESCWA, the technical secretariat of the League of Arab States, CAMRE and the United Nations Environment Programme Regional Office for West Asia (UNEP/ROWA) to follow up on the World Summit Plan of Implementation at the regional level. The newly established regional mechanism and joint secretariat adopted a "bottom-up" approach, beginning at the national level, for achieving sustainable development in the region. This mechanism was the result of a study, carried out by ESCWA with funding from CAMRE, on the requirements for its operationalization by the Sustainable Development Initiative in the Arab Region. As a practical step in this direction, ESCWA integrated all of its work programme activities relevant to the Arab initiative into a matrix that reflects the real sustainable developmental needs of the region. The objectives, time frame, targets and potential partners for each activity are also specified in the matrix.

57. ESCWA, jointly with the League of Arab States, UNEP/ROWA and the Arab Media Forum for Environment and Development, organized a workshop on strengthening the role of the Arab media in order to achieve sustainable development, which was held in Beirut from 25 to 27 February 2003. The aim of the workshop was to adopt a strategy and action plan for the Arab media on achieving sustainable development, with a view to harnessing the media as a partner for furthering environmental issues. ESCWA will also hold regional meetings to follow up on the implementation of Johannesburg Summit resolutions and the Sustainable Development Initiative in the Arab Region, to be jointly organized with CAMRE and UNEP/ROWA.

3. Regional preparations for the international meeting to review implementation of the Programme of Action for the Sustainable Development of Small Island Developing States

Economic and Social Commission for Asia and the Pacific

58. Small island developing States of the Asian and Pacific region were involved very closely in the preparations for the World Summit on Sustainable Development. Following the Summit, ESCAP organized two capacity-building subregional workshops: the Pacific Subregional Workshop on Strategic Environmental Management, in Apia, Samoa, from 19 to 22 May 2003, and the Subregional Workshop on Integration of Environmental Considerations into Economic Policy Making Processes for Pacific Islands, in Suva, Fiji, from 1 to 7 June 2003.

59. These workshops are part of the regional preparatory process for the international meeting to review implementation of the Programme of Action for the Sustainable Development of Small Island Developing States. Preparations for the regional preparatory meeting have been initiated in cooperation with the Department of Economic and Social Affairs (DESA), which has established a task force that

will, inter alia, advise on: (a) inputs for the preparation of reports of the Secretary-General and other analytical inputs for the international meeting; and (b) various organizational matters of interest to the United Nations system in general in support of intergovernmental preparatory meetings and the international meeting. Apart from the support provided to its Pacific members through the ESCAP Pacific Operations Centre, located in Vanuatu, ESCAP will hold later this year a meeting of the Special Body on Pacific Island Developing Countries.

Economic Commission for Latin America and the Caribbean

60. The ECLAC Subregional Headquarters for the Caribbean, in its role as co-responsible secretariat for the Programme of Action in the Caribbean, is coordinating together with the Caribbean Community (CARICOM) the subregional preparatory process for the 2004 international meeting. The details of the preparatory process are being developed on the basis of consultations among the member countries and with the agencies that collaborate in the implementation of the Programme of Action.

61. What is envisaged for the subregional preparations is further mobilization of the "Caribbean model" for the implementation of the Programme of Action. The "model" includes a joint secretariat within which the ECLAC Subregional Headquarters for the Caribbean constitutes the technical and operational arm for coordinating the implementation of the Programme of Action, while the CARICOM secretariat is entrusted with political outreach. Other elements of the "model" are a Small Island Developing States Bureau, for political and ministerial oversight of the implementation of the Programme of Action; a joint work programme extrapolated from the Programme of Action and related international decisions, such as those of the World Summit on Sustainable Development; and an Inter-Agency Collaborative Group comprised of a number of regional and international agencies which have accepted to execute the joint work programme in areas falling within their respective mandates. Integral to the preparatory process is the convening of meetings of the Caribbean small island developing States and the collaborating agencies scheduled for 10 and 11 April 2003. The culmination of the preparatory process will be the convening of the second Caribbean Ministerial Meeting on the Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States, scheduled for the second half of 2003.

4. Regional preparations for the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation

Economic and Social Commission for Asia and the Pacific

62. In its preparations for the International Ministerial Conference on Transit Transport Cooperation, to be held in Almaty, Kazakhstan, from 25 to 29 August 2003, ESCAP undertook a series of case studies that identified the common issues and concerns related to physical and non-physical barriers that characterize the transit transport systems of the region. The secretariat also developed a methodology to help identify and quantify bottlenecks, bringing greater focus and clarity to a number of priority policy recommendations. The methodology, the results of the subregional studies pertaining to its 12 landlocked member States, and a framework

of recommendations were considered and refined through four subregional meetings, with the participation of member States, international organizations, donors and the private sector. In lieu of the regional intergovernmental preparatory meeting, the Commission in the first phase of its fifty-ninth session, considered transit transport issues in landlocked and transit developing countries as part of its main agenda. The Commission endorsed a regional platform for submission to the International Ministerial Conference.

Economic Commission for Latin America and the Caribbean

63. The Latin American regional preparatory meeting for the International Ministerial Conference on Transit Transport Cooperation took place in Asunción, Paraguay, on 12 and 13 March 2003. The meeting was organized by the Government of Paraguay in collaboration with ECLAC and the United Nations High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. The outcome of the regional meeting, the Regional Action Programme, included proposals such as: the formulation and execution of regional policies for the development of transport infrastructure focusing on the problems and needs of landlocked countries; support to the Initiative for the Integration of Regional Infrastructure in South America; improvement of transport infrastructure; facilitation of regional trade; and the identification of innovative financing mechanisms to enhance transport infrastructure. ECLAC was requested to focus its technical assistance on the strengthening of transport efficiency, including the application of information technology and simplification and harmonization of documents and procedures.

Economic Commission for Africa

64. The main purpose of the regional meeting, organized by ECA in close collaboration with the High Representative, UNCTAD and the World Bank (Addis Ababa, 5-7 May 2003), was to provide an opportunity for the 15 African landlocked and transit developing countries to review developments and to identify the constraints and needs for transit infrastructure development, trade facilitation measures and international support measures. The meeting formulated a Regional Action Plan that addressed important issues, inter alia the rehabilitation and upgrading of key transport infrastructure, including roads, railways, ports and communications; trade facilitation; and international support measures. ECA has assisted African Governments in identifying key transport corridors in Africa and in the development of bilateral and multilateral agreements to facilitate the efficient movement of goods and persons. ECA is also developing performance indicators to monitor road transport operations along the key corridors. In the context of the United Nations Transport and Communications Decade in Africa, ECA has been the lead agency in the implementation of key programmes and activities, including promotion of the projects submitted by the 15 African landlocked countries. The evaluation report for the Second United Nations Transport and Communications Decade in Africa provides for successor arrangements as part of what was proposed as "the way forward" to attain the objectives of the Decade.

5. Outcome of regional preparatory meetings for the World Summit on the Information Society

Economic Commission for Europe

65. In the preparatory process for the World Summit on the Information Society, ECE has provided a regional platform for information and communications technology (ICT) policy discussion and formulation. In particular, the Commission supported the Pan-European Regional Ministerial Conference organized and hosted by Romania in Bucharest from 7 to 9 November 2002. The Conference, which benefited from substantive inputs emerging from three subregional meetings held in Bishkek, Moscow and Belgrade in September and October 2002, adopted a policy declaration that identifies and clearly formulates the fundamental principles of the information society, providing an effective framework for planning, monitoring and evaluating plans of action, initiatives and partnerships.

66. In addition to providing the major substantive inputs of ECE to the Pan-European Regional Ministerial Conference, ECE organized two events that were important parts of the Bucharest Conference: first, a parallel event on Building a Gender Sensitive Information Society (which was quoted as a "best practice" in including gender perspective in the World Summit on the Information Society process); and second, a thematic workshop on E-policy and E-regulations.

67. The outcome of the Bucharest process, together with the political declarations adopted at the four other regional conferences, was used as a background document for the declaration of principles and the plan of action that were drafted during the second session of the Preparatory Committee for the World Summit on the Information Society, held in Geneva in February 2003.

68. ECE has been promoting coordination among its various intergovernmental bodies in order to establish an integrated approach to policy and a consistent programme in the field of ICT, on the one hand, and partnership with various relevant organizations in the United Nations system including the International Telecommunication Union (ITU) and the ICT Task Force of the United Nations on the other. Within the secretariat, it has established an internal task force, the Information Society Team, to share information and to coordinate activities across sectors. Also, with the objective of bringing together various stakeholders and contributing to the World Summit and to the activities of the ICT Task Force of the United Nations, ECE launched the European and Central Asian regional nodes of the ICT Task Force. A web site for the Geneva node of the ICT Task Force (http://www.unece.org/etrades/ict) has also been activated with a view to making available information on the relevant activities in this field in the region and providing links to the ICT Task Force, the Moscow node, the United Nations Online Network in Public Administration and Finance (UNPAN), and the European database on public administration and e-government.

Economic and Social Commission for Asia and the Pacific

69. The Regional Ministerial Preparatory Conference was jointly organized by the Government of Japan and ESCAP and held in Tokyo from 13 to 15 January 2003. Other regional and international organizations, such as the Asia-Pacific Telecommunity, UNDP, ITU, the Asian Development Bank, the United Nations University and the United Nations Educational, Scientific and Cultural Organization

made substantial contributions to the Conference. The Conference identified the critical issues faced by the developing countries in the region in harnessing the potential of ICT for development and bridging the digital divide, as well as in formulating national and regional plans, policies and mechanisms for addressing those issues and contributing to the goal included among the Millennium Development Goals of ensuring that the benefits of technology, especially ICT, were available to all. With this in view, the Conference formulated and adopted the "Tokyo Declaration — the Asia-Pacific perspective on the World Summit on the Information Society".

70. The Declaration identified critical issues in the region requiring urgent attention from the international and regional community, which also reflected the concerns raised by the ESCAP members on issues relating to cyber-crime and security, the application of ICT by people with disabilities, ICT and gender, and e-commerce. For ESCAP, in particular, the Declaration could serve as a guiding principle for its current and future activities in ICT. The regional exchange of experiences and best practices, the regional networking of initiatives, and the creation and pursuit of a common regional vision could play a decisive role in accelerating the transition towards the information society.

Economic Commission for Latin America and the Caribbean

71. From 29 to 31 January 2003, ministers and other governmental authorities representing the countries in the ECLAC region, along with representatives of international and multilateral bodies, civil society and the private sector, met in Bavaro, Dominican Republic, for the Regional Preparatory Ministerial Conference of Latin America and the Caribbean for the World Summit on the Information Society. The Conference was organized by the Government of the Dominican Republic, through the Dominican telecommunications institute (Instituto Dominicano de las Telecomunicaciones, INDOTEL) and ECLAC.

72. At the conclusion of the Conference, countries adopted the Bavaro Declaration on the information society. The declaration states that the information society is an economic and social system where knowledge and information constitute the fundamental sources of well-being and progress. The information society also represents an opportunity for countries and societies of the region, so long as it is understood that the development of that society within a global and local context requires a deeper appreciation of fundamental principles such as those of respect for human rights within the broader context of fundamental rights, democracy, environmental protection, the advancement of peace, the right to development, fundamental freedoms, economic progress and social equity. The Bavaro Declaration also affirms that the countries of the region are aware of the need to generate equal opportunities for access and use of information and communication technologies, and are committed to taking action to overcome the digital divide.

Economic Commission for Africa

73. Within the context of its mandated role of supporting the development of the information society in Africa and preparing African member States for participation in the World Summit on the Information Society, several regional-level activities were undertaken by ECA in collaboration with other United Nations and regional organizations. The most important of these activities was the African Regional

Conference on the World Summit on the Information Society, held in Bamako, Mali, from 25 to 30 May 2002.

74. The Bamako Conference was aimed at promoting a common understanding and vision of the benefits for Africa of the information society; the contributions that the continent can make towards achieving the goals of a global information society; and the cultural values it wishes to preserve in the process. The Conference examined the major challenges, prospects and constraints posed by the information society in Africa. More specifically, it provided an opportunity for African countries to share experiences and adopt a common position on the key issues for the World Summit. A major outcome of the Conference was the adoption of the Bamako Declaration, which provides the blue print for Africa's participation in the various phases of the World Summit. The Declaration served as a substantive input to the first session of the global Preparatory Committee, held in Geneva in July 2002. At Bamako, member States also took the opportunity to assess progress in the implementation of the recommendations of the first African Development Forum, which was held in December 1999 on the theme "The challenge to Africa of globalization and the information age", and renewed their commitment to the African information society.

75. ECA played a significant role in organizing the African Regional Conference and has been designated as the secretariat for follow-up activities to the Bamako Conference. In this regard, ECA has facilitated dialogue among various stakeholders through the establishment of electronic discussion forums and workshops that have brought together Governments, civil society, academic institutions and Africans in the diaspora to define their respective roles in developing an information society and in preparing the continent for the World Summit. In addition, during the period under review, ECA organized national workshops in eight countries where national ICT strategies and plans have been developed or are in the process of being developed: Burundi, Djibouti, Ethiopia, the Gambia, Ghana, Malawi, Mali, Niger and Uganda. ECA also plans to organize a regional information society forum in mid-2003 to build consensus among African countries on an African vision of the information society based on the Bamako Declaration.

Economic and Social Commission for Western Asia

76. ESCWA held the Western Asia Preparatory Conference for the World Summit on the Information Society in Beirut from 4 to 6 February 2003, in partnership with the UNESCO regional office in Cairo, the World Bank Information for Development Program and the ICT Task Force of the United Nations. The overall purpose of the Conference, which brought together government representatives, experts and civil society and private sector institution participants, was to address the central issues raised by the information society relating to policy formulation, socio-economic development and cultural, ethical and technological concerns. The Conference promoted a common vision for the development of the information society both at the national and regional levels, and to attain the Millennium Development Goals.

77. The Conference resulted in the adoption of the Declaration of Principles, which contained recommendations on key issues facing the region in the area of ICT. The recommendations covered the formulation of national and regional ICT policies; enhancing ICT infrastructure; developing appropriate ICT indicators;

implementing and standardizing e-government applications; promoting e-learning, e-health and e-business applications and tools; promoting digital content in Arabic; developing human capacity in ICT through training and education; and developing ICT production capabilities and improving ICT services.

C. Improved coordination and cooperation among United Nations agencies at the regional level: meetings chaired by the Executive Secretaries in the five regions

78. In annex III to its resolution 1998/46 the Economic and Social Council called on the commissions to hold yearly coordination meetings so as to bring about greater coherence in the activities of the United Nations system at the regional level. The regional commissions continue to hold these meetings and the Deputy Secretary-General plans to chair a new series of these meetings starting in the second half of 2003.

Economic Commission for Europe

79. The 2002 Regional Coordination Meeting for the ECE Region, which was held on 10 December 2002, focused on the needs, trends and challenges for the region, the respective programmes of the United Nations organizations and agencies working in the region, and the impact of the EU enlargement on their work. Reform in the United Nations system was also discussed. A number of commonly shared points were emphasized by participants, including: (a) the immense diversity of the region and the numerous conflicts which impede its development; the foundation for success of all work in the region depends on the region's stability, which is linked to the promotion of human rights, security and conflict prevention; (b) the humanitarian needs in the subregions of Europe, in particular, South-Eastern Europe, the Caucasus and Central Asia, which necessitates intensified poverty reduction and economic sustainability programmes; (c) the challenge of EU enlargement and the need to promote cooperation between the acceding countries and the non-acceding countries; and (d) the challenge of managing the discrepancy between declining donor interest and growing development needs, as well as the need for donor cooperation. The discussion confirmed the potential for better cooperation among organizations on a variety of issues, many of which have cross-border/cross-sectoral dimensions (for example, the environment, labour, trade, information technology). It was not enough, however, simply to agree on general areas of cooperation as this would not automatically lead to integrated action. With this in mind, the suggestion was made that in the future the Regional Coordination Meeting should be comprised of a morning session devoted to a discussion of "over-arching issues", while the afternoon would be devoted to a discussion of a concrete programme, with a view to defining new cooperation or extending existing cooperation. It was also suggested that meetings needed to be convened more frequently than once a year.

80. With regard to reform, a number of issues were flagged as meriting future discussion. These included the need for a review and harmonization of mandates among organizations working in similar fields, the need to involve the private sector as an equal partner, the need to harmonize programme cycles and simplify rules and procedures, the need to rationalize consultative, negotiating and evaluation

processes with a view to releasing time and increasing the capacity to implement the programmes, the need to have an in-depth discussion on the concept of civil society and how to associate it in a productive and functional way in the organizations' work, and the need to design new modalities for better associating regional and local municipalities in the work of organizations.

Economic and Social Commission for Asia and the Pacific

81. The regional coordination mechanism (RCM) operates actively under the leadership of ESCAP in the form of Heads of Agency Meetings (HoAM)/RCM which are convened on a quarterly basis. Under HoAM/RCM, there exist 11 thematic working groups on specific issues requiring the involvement of various related agencies, as well as two committees on administrative management and security and on programme review and coordination.

82. HoAM/RCM noted the need to address more substantive regional issues of common concern to the United Nations system and, in this regard, each session of the HoAM/RCM took up an issue that required collective and coordinated follow-up actions. For example, the Thematic Working Group on Environment and Development discussed modalities of monitoring and reviewing progress towards meeting the benchmarks and targets of the World Summit for Social Development, including the possibility of organizing a regional meeting in cooperation with the Summit secretariat.

83. HoAM/RCM assisted ESCAP in the preparation of the theme study for the fifty-ninth Commission session, which focused on HIV/AIDS. The Joint United Nations Programme on HIV/AIDS (UNAIDS), the World Health Organization (WHO) and the United Nations Office on Drugs and Crime (UNODC) participated in developing recommendations aimed at increasing the political commitment in the region to fight the epidemic and producing concrete action plans to serve as a follow-up to the United Nations General Assembly special session on HIV/AIDS. HoAM/RCM also organized a joint United Nations staff awareness-training programme on HIV/AIDS, aimed at implementing the United Nations staff policies on HIV/AIDS, and the majority of the personnel of the United Nations and non-United Nations agencies at Bangkok participated in it.

84. In accordance with the sunset clause, thematic working groups were reviewed in terms of their relevance to current needs. As a result, the group on Social Summit follow-up was abolished and the functions of the group on governance and human rights and the group on poverty alleviation, rural development and food security were reframed. A thematic working group on the Millennium Development Goals was recently established. ESCAP chaired or co-chaired the thematic working groups on women's empowerment and gender equality; environment and development; disability-related concerns; poverty reduction and food security; education for all; information and communication technology; and Millennium Development Goals. The groups as a whole reflected a "Bangkok consensus" on the priorities for the region.

Economic Commission for Latin America and the Caribbean

85. The fourth Regional Inter-Agency Coordination Meeting, to be held in the second half of 2003, will focus on three issues: (a) cooperation initiatives among various entities to optimize the work of the Organization in the framework of the

Millennium Development Goals and the reform process; (b) regional follow-up activities to United Nations summits and conferences in the socio-economic area; and (c) regional technical cooperation activities in the socio-economic area.

86. As a contribution to inter-agency coordination, ECLAC developed a web site for the follow-up to United Nations summits and conferences. It includes a decentralized management module to allow each agency to present its contributions to the various international conferences. This tool, to be launched during the fourth Regional Inter-Agency Coordination Meeting, will facilitate the exchange of information required for improving inter-agency coordination, as well as the dissemination of information on the work carried out by the United Nations in the Latin American and Caribbean region.

87. ECLAC has continued to promote inter-agency coordination at the sectorial and subregional levels. It convened the eleventh Meeting of Specialized Agencies and Other Bodies of the United Nations System on the Advancement of Women in Latin America and the Caribbean in Santiago, Chile, on 4 September 2002. The meeting noted the efforts being made to improve gender statistics and reached agreement on further work in the area, including coordination of technical assistance; support to institutions that produce information and linking them with government and civil society users; and stepping up horizontal cooperation among countries for sharing experience and knowledge.

88. At the subregional level, ECLAC convened the Joint Meeting of the Small Island Developing States of the Caribbean and the Agencies Members of the Inter-Agency Collaborative Group in San Juan, Puerto Rico, on 11 April 2003. The meeting focused on a review of the implementation in the Caribbean of the Programme of Action for the Sustainable Development of Small Island Developing States and of the preparations for the 2004 international meeting. The meeting agreed that the Caribbean subregional preparatory meeting for the international meeting should be held from 25 to 27 August, to be followed by a joint meeting of the Caribbean small island developing States and small island developing States from other geographical regions.

Economic Commission for Africa

89. At the third Annual Regional Consultations of United Nations Agencies working in Africa, held in October 2001, it was agreed that NEPAD would provide the main operational framework around which the United Nations system should coordinate its support to Africa. The seven thematic clusters established at the third consultation in October 2001 were reduced to five in 2002 in response to the immediate priorities identified in the NEPAD Initial Action Plan. It was agreed that the work of each of the five clusters would be facilitated by a lead agency that would act as convenor of the respective cluster meetings and report on the activities of the clusters, as follows: ECA: infrastructure development — water and sanitation, energy, transport and ICT; UNDP: governance, peace and security; FAO: agriculture, trade and market access; UN-Habitat: environment, population and urbanization; UNICEF: human resource development, employment and HIV/AIDS. The agencies identified priority areas for joint action under each of the five clusters and agreed on modalities of cooperation at the national, subregional and regional levels. They suggested that the Department of Peacekeeping Operations and the Department of Political Affairs of the United Nations and the African Union should

be invited to participate in future meetings of the cluster on governance, peace and security. It was also agreed that the African Development Bank should be invited to participate in future meetings of all of the clusters. The central role of the Regional Economic Communities (RECs) at the subregional level was underscored and agencies, working through the cluster arrangements, would work very closely with the RECs and the NEPAD secretariat to advance joint activities in order to build the capacity of the subregional institutions. At the regional level, it was agreed that the consultations should be convened at least once, and possibly twice, a year and that the Executive Secretary would periodically call meetings of the five cluster convenors together with the NEPAD secretariat around major events. In addition, the five cluster convenors should organize their respective cluster meetings in close cooperation with the NEPAD secretariat, which would serve as co-convenor when possible.

90. The Consultations agreed that cluster members, with the help of the convenors, would continue their interaction through electronic discussions and meetings, and would further refine agreed areas of cooperation by identifying benchmarks for measuring success, as well as timelines. Most clusters agreed to meet at least twice a year and to cooperate closely with the RECs in undertaking activities in support of the implementation of NEPAD at the subregional level. With regard to reporting, the Consultations agreed that a consolidated report based on the work of the clusters would be prepared and forwarded to the Office of the Special Advisor on Africa for inclusion in the Secretary-General's report on Africa.

Economic and Social Commission for Western Asia

91. The meeting of the Regional Coordination Group (RCG), held in Beirut on 28 June 2002, focused on: (a) the specifications and content of the RCG web site, the mechanism for launching the collective work of the United Nations organizations operating in the Arab region; (b) the role of United Nations regional organizations in promoting economic and social development in the region; (c) issues that lend themselves to concerted action; and (d) exchange of experiences and best practices in cooperative action among two or more organizations.

92. The participants agreed on the need for: (a) a mechanism for preparing and distributing reports on the collective activities of the United Nations organizations in the region; (b) collecting and coordinating information on trends in the region in various socio-economic areas, with a view to arriving at a common vision thereof; (c) using the RCG web site, which would be available first in English and later in Arabic, as a platform for disseminating the information in question; (d) formulating a vision and a strategy for the region that would form the basis for collective action; and (e) agreeing on areas of cooperation: information and communication technologies and action in follow-up to the World Summit on the Information Society were identified as areas for collaborative action, owing to the significance of this issue within the context of globalization.

II. The regional commissions as outposts of the United Nations

A. Participation in the Executive Committee on Economic and Social Affairs

93. During the period under review, the Executive Secretaries of the regional commissions continued to participate actively in the work of the Committee and considered with other members the necessary steps to be undertaken by the Executive Committee on Economic and Social Affairs in response to the Secretary-General's reform proposals. In particular, they focused on the reform proposals relating to the formulation of the Medium-Term Plan and the programme budget in the economic and social area and on the need to clarify roles in technical cooperation (recommendation 15). This resulted in an in-depth review of the activities of the members of the Executive Committee, which provided a better appreciation and understanding of the commissions' activities in analysis and norm setting, as well as in the provision of technical assistance. Moreover, the joint review of the projects proposed for funding under the Development Account has led to the creation of a habit of collaboration among the global entities and the regional commissions, which could be extended to other areas of budget implementation.

B. Cooperation with global entities: the Department of Economic and Social Affairs of the Secretariat, the United Nations Conference on Trade and Development and the United Nations Development Programme

1. Cooperation with the Department of Economic and Social Affairs

94. The regional commissions cooperate closely with the Department of Economic and Social Affairs (DESA) in a number of areas, particularly those of sustainable development, ICT, statistics, the advancement of women and economic analysis and development policy. Examples of such cooperation are as follows.

Economic Commission for Europe

95. With regard to statistics, the work of the Statistics Division of the United Nations is reflected in the integrated presentation of the international statistical work prepared for the Conference of European Statisticians serviced by ECE. In turn, the ECE Statistical Division takes part in the work of the Statistical Commission that is serviced by DESA. Data collection is another area of cooperation: the ECE Statistical Division collects data from the CIS countries on national accounts and submits them to the Statistical Division of the United Nations Secretariat. ECE also provides to the Statistical Division and the Development Policy Analysis Division of the United Nations Secretariat the national accounts data for all ECE transition economies. On the other hand, the ECE Statistical Division uses foreign trade statistics from the Comtrade database maintained in New York.

96. ECE also cooperates with DESA in the field of economic analysis, with DESA regularly consulting the Commission on developments in the transition economies for its report on the world economy. In addition, the two organizations collaborated in the preparation of the ECE Ministerial Conference on Ageing, held in September 2002.

Economic and Social Commission for Asia and the Pacific

97. ESCAP and DESA cooperated on planning the plenary segment of the World Summit on Sustainable Development and have closely collaborated on regional follow-up to the Plan of Implementation of the World Summit, including with regard to modalities for regional implementation, as well as review and assessment of the Plan of Implementation.

98. In the area of the advancement of women, ESCAP and DESA jointly organized the Judicial Colloquium on the Application of International Human Rights Law at the Domestic Level in November 2002 and collaborated in planning a subregional training workshop for government officials to strengthen their understanding of the legal obligations established in the Convention on the Elimination of All Forms of Discrimination against Women and to enhance their capacity to report under article 18 of that Convention. Together, they organized the second Africa/Asia Parliamentarian Forum on Human Security and Gender "The role of the legislature", which aimed to enhance the role of parliamentarians in promoting gender equality in relation to human security aspects of the Millennium Development Goals.

99. In the area of statistical development, ESCAP cooperated with DESA in the implementation of the Development Account project on strengthening regional capacities for statistics development in South-East Asia, the aim of which is to develop a South-East Asian statistical information exchange network to strengthen capacities to respond to data needs in the subregion and to support regional training in the area of statistics. In addition, they have jointly organized technical meetings and workshops for the region, including on implementation of the 1993 System of National Accounts (SNA), trade statistics for least developed and small island developing countries, and classifications.

100. In the area of development policy and research, ESCAP and DESA are jointly planning a training programme for approximately 25 government-nominated persons working on building capacities to undertake research on issues related to ageing in Asia.

Economic Commission for Latin America and the Caribbean

101. Within the context of Project Link,[2] ECLAC and DESA jointly provided technical assistance aimed at strengthening the capacity of Latin American countries, especially those in Central America, to carry out macroeconomic model building. ECLAC also collaborated with DESA in the diffusion of methodology and classifications of national accounts. In particular, ECLAC signed an agreement with the Statistics Division of the United Nations to disseminate the Spanish version of the "System of National Accounts news and notes" bulletin through its web site. Collaboration also extended to social statistics and currently both organizations are jointly implementing a Development Account project on strengthening of networking of institutions and experts to accelerate the development of social and environmental statistics in the countries of Latin America and the Caribbean. ECLAC and the Division for the Advancement of Women of DESA are executing another Development Account project on democratic governance and gender equality in Latin America and the Caribbean, whose objective is to strengthen the capacity of national machineries for the promotion of gender equity to integrate the demands and needs of women into the national agendas for good governance and State reform.

102. ECLAC continues to provide inputs on the Latin American and Caribbean economy to the DESA for the *World Economic Situation and Prospects* report.

Economic Commission for Africa

103. ECA participated in an ad hoc expert group meeting organized by DESA in Bahia, Brazil, in February 2003 on the theme, "Innovations in governance and public administration for poverty reduction". The meeting provided a forum for discussion and for the sharing of experience among experts on the following issues: policy development and implementation for poverty reduction; national planning for poverty reduction; mechanisms for monitoring and evaluation of poverty reduction policies and strategies; and building national capacity for good governance and sound public administration for poverty reduction. ECA chaired the final session of the meeting, on the "way forward", at which policy-relevant recommendations were made on enhancing poverty reduction efforts.

104. ECA is also collaborating with DESA and UNCTAD in the preparation of a project to assist the United Republic of Tanzania in mainstreaming the contribution of mining in that country's development efforts. The project will undertake an assessment of policy-specific interventions for poverty alleviation in small-scale mining communities.

Economic and Social Commission for Western Asia

105. Cooperation between ESCWA and DESA on youth issues involved a financial contribution from DESA for the preparation of the "Youth NGOs' Directory in the ESCWA Region" and the "Youth NGOs' Directory of Young Women's Organizations in the ESCWA Region", aimed at strengthening networking among youth NGOs. In addition, ESCWA collaborated with the Division for the Advancement of Women, UNESCO and the Department of Public Information (DPI) in organizing an expert group meeting on participation and access of women to the media and its impact on and use as an instrument for the advancement and empowerment of women (Beirut, November 2002).

106. Regarding the promotion of the social integration of the disabled, ESCWA is executing two projects funded by DESA on promoting self-reliance and income-generating activities for persons with disabilities. Cooperation between ESCWA and DESA also involves activities on ageing. ESCWA organized a round table on the Arab Plan of Action on Ageing to the year 2012. Both ESCWA and DESA also cooperated in the organization of a seminar on organization and management of statistical agencies, which was held to address strategic issues of the organization and management of official statistics (Muscat, April 2002).

2. Cooperation with the United Nations Conference on Trade and Development

107. Cooperation between UNCTAD and the regional commissions continues to be strong and draws on their respective comparative advantages. The Executive Secretaries and the Secretary-General of UNCTAD hold a joint meeting every other year, in connection with the session of the Economic and Social Council in Geneva, to exchange views on how to provide joint support to developing and least developed countries, in particular for their integration into the global trading system.

Economic Commission for Europe

108. ECE has well-established cooperation with UNCTAD in the area of economic analysis. UNCTAD frequently draws on ECE work on transition economies and, in turn, ECE regularly relies on the UNCTAD *Trade and Development Report* as background information on the global context of the ECE economies.

109. In the area of trade, ECE participated in an international conference on harmonization and equivalence in organic agriculture, organized by the International Federation of Organic Agriculture Movements (IFOAM) and UNCTAD. At the invitation of UNCTAD, the Chairman of the ECE Working Party on Technical Harmonization and Standardization Policies made a presentation on the relevant activities of the Working Party. As a follow-up to this conference, a decision was made to create a task force to prepare proposals for such harmonization. Representatives of ECE, UNCTAD, FAO, IFOAM and other interested agencies attended an organizational meeting held in Geneva in December 2002 and at present the ECE Working Party is cooperating with this task force on its possible future activities.

110. In the field of trade facilitation, UNCTAD is actively working with ECE in the preparation of the May 2003 International Forum on Trade Facilitation, Sharing the Gains of Globalization in the New Security Environment. UNCTAD is also a vice-chair of the International Trade Procedures Working Group, which is the core trade facilitation group of the ECE Centre for Trade Facilitation and Electronic Business. ECE and UNCTAD also cooperate on the implementation of trade facilitation recommendations, instruments and practices and exchange information and ideas on the developmental role of e-commerce. This includes outcomes from the work of the ECE Team of Specialists on Internet Enterprise Development, which analyses e-commerce development in European transition economies and compares its status with that in developing countries.

Economic and Social Commission for Asia and the Pacific

111. ESCAP has continued to collaborate closely with UNCTAD in the implementation of its regional activities, such as the Joint UNCTAD-ESCAP Asia-Pacific Regional Conference "E-Commerce Strategies for Development", at which they adopted a declaration on electronic commerce for development, resolving to strengthen their cooperation and commit themselves to taking action to develop and implement e-commerce strategies for development. The declaration was fed into the regional preparatory meeting for the World Summit on the Information Society held in Japan in January 2003.

112. With regard to the Doha Development Agenda, UNCTAD will provide a substantive contribution to the ESCAP Meeting of Senior Trade Officials on the WTO Negotiating Agenda: Regional Perspectives in Preparation for Cancun, to be held in Bangkok from 10 to 12 June 2003. UNCTAD has also provided substantive support to ESCAP activities on facilitating the accession of developing countries to WTO through regional cooperation.

Economic Commission for Latin America and the Caribbean

113. At the request of UNCTAD, ECLAC Subregional Headquarters in Mexico City launched the UNCTAD *Trade and Development Report, 2002* report in Latin America. UNCTAD and ECLAC shared ideas through a videoconference of the Expert Group on Competition Policy in Central America. In October 2002, ECLAC participated in two meetings organized by UNCTAD in Geneva on "Building capacity for improved policy making and negotiation on key trade and environment issues" and "Environmental requirements and international trade". In the spring of 2003, ECLAC and UNCTAD jointly organized in Havana, Cuba, an expert group meeting on environmental goods and services and a regional training course on capacity-building and technical cooperation for developing countries in support of their participation in the WTO Doha Programme.

Economic Commission for Africa

114. ECA organized an ad hoc expert group meeting on Africa and the WTO Agreement on Agriculture, in collaboration with UNCTAD and other organizations, in Addis Ababa in April 2003. The discussion focused on four interrelated issues, namely, market access for African agricultural products; domestic support and export subsidy policies, special provisions for developing countries; and "non-trade" concerns such as food security, rural development and poverty reduction. The recommendations adopted on these issues will be considered by another expert group meeting, which will be organized to prepare for the Conference of African Ministers of Trade scheduled to take place in Mauritius in June 2003.

115. In addition, ECA collaborated with UNCTAD and with other African regional organizations in a series of high-level workshops to assist African countries in understanding the issues involved in service trade negotiations as mandated under the WTO Agreements (Geneva, September 2002; Johannesburg, April 2002; and Addis Ababa, June 2003). The object of these workshops was to forge a common position on key issues ahead of the Fifth WTO Ministerial Meeting, scheduled to take place in Cancun, Mexico, in September 2003. The recommendations made during these meetings are also expected to be endorsed by the Conference of African Ministers of Trade in Mauritius in June 2003.

Economic and Social Commission for Western Asia

116. Cooperation between ESCWA and UNCTAD focused on FDI and other economic issues. The two organizations are implementing a project on networking of expertise on FDI in ESCWA member States. Under the project, a regional workshop on "International methodological standards for data compilation for foreign investment and the activities of transnational corporations" was organized in Beirut, in October/November 2002.

117. Another activity with UNCTAD was the organization of an expert group meeting on "Competition laws and policies: identification of common grounds in the ESCWA region" in Abu Dhabi, from 28 to 30 January 2002. The meeting provided a forum for discussing the interrelationships between competition, trade, development and FDI policies and laws in the Arab countries; promoting a dialogue between the private and public sectors on national competition policy; and formulating guidelines for developing good practices in competition laws and policies in ESCWA member countries.

3. Cooperation with the United Nations Development Programme

118. The significant scaling down of UNDP funding of technical cooperation projects executed by the regional commissions levelled off during the period under review. Cooperation between the commissions and their respective regional bureaux centred around specific themes or areas such as the environment and sustainable development, poverty reduction and statistics. Examples of this cooperation in these areas and others are given below. Some of the commissions also worked closely with the Resident Coordinator system and national UNDP offices in the preparation of the Common Country Assessment/United Nations Development Assistance Framework for some of their member countries.

Economic Commission for Europe

119. UNDP provided logistical support for the Environmental Performance Reviews conducted by ECE in The former Yugoslav Republic of Macedonia, Serbia and Montenegro and Georgia, and financial support for national preparations for the "Environment for Europe" Ministerial Conference, to be held in Ukraine in May 2003, for which ECE is serving as secretariat.

120. UNDP has continued to provide funding for the ECE project which gives assistance to CEE and CIS countries for improving the statistics for human development reporting, and has provided funding for the ECE project on a gender statistics web site for Europe and North America. ECE and UNDP cooperated closely in developing the energy efficiency project for climate change mitigation. UNDP has also served as an implementing agency for Global Environment Facility projects elaborated by ECE and has provided direct assistance to Belarus for three such projects.

121. In the field of e-economy and ICT development, ECE developed a gender component of the UNDP regional project on e-governance, while UNDP contributed to the organization of the ECE round table on "Overcoming obstacles to the development of an information society: a business solution" in Geneva, in February 2003.

Economic and Social Commission for Asia and the Pacific

122. In accordance with their respective roles and responsibilities, cooperation between ESCAP and UNDP has focused on the implementation of a three-year joint project on supporting the achievement of the Millennium Development Goals. The project addresses a gap at the regional level with respect to support to countries in formulating and implementing effective poverty reduction strategies and monitoring their progress towards the achievement of the Millennium Development Goals. The aim of the project is to increase analytical and technical knowledge and capacities in the region and to assess regional progress towards the achievement of the Millennium Development Goals relating to poverty reduction. The project will also enable cross-fertilization of information and experiences, focusing on comparative analysis to identify and replicate good practices in poverty reduction. A major output of the project will be the production of two comprehensive reports on "Supporting Millennium Development Goals in Asia and the Pacific". In addition to quantitative data comparisons, the reports will illustrate regional trends and patterns in achieving the Millennium Development Goals, focusing on countries and clusters of countries.

Economic Commission for Latin America and the Caribbean

123. ECLAC coordinated the preparation of a report entitled "Meeting the Millennium poverty reduction targets in Latin America and the Caribbean" which synthesizes the findings of a joint UNDP/ECLAC technical cooperation project that evaluated the capacity of Latin American and Caribbean countries to meet the Millennium Development Goal relating to poverty. ECLAC also contributed substantively to the UNDP project on democracy and development in Latin America and organized a workshop on "Economy and democracy: the implications for Latin America" which was held in Santiago, Chile, on 29 and 30 November 2002. ECLAC also contributed to the UNDP project on democracy and institutions in Latin America, through sharing macroeconomic data, statistical information and political economy analysis of indicators on governance in the Andean region.

124. On financing for sustainable development, ECLAC and UNDP are working together on a project that has included the production of case studies on seven Latin American countries. They also jointly organized a side event on "Financing and investment for sustainable development in Latin America and the Caribbean" at the Johannesburg summit. On fiscal policy and the application of economic instruments for environmental management, ECLAC and UNDP have cooperated since 1999 on a project that has generated 10 national case studies, regional and national meetings and seminars, and the publication of various documents. Joint capacity-building activities are also under way.

125. ECLAC and UNDP also cooperated in providing technical assistance at the national level for: strengthening the energy sector (Cuba); reform of the social security system (Panama); elaboration of a national human development agenda (Belize); and formulation of a national gender policy and plan of action for the Ministry of Community Development and Gender Affairs (Trinidad and Tobago). ECLAC and UNDP Cuba initiated a research project for a study on social development in the island. With UNDP Costa Rica, ECLAC made substantial statistical and analytical contributions to *State of the Region*, an annual report on economic and social development in Central America. ECLAC, UNDP and the Pan American Health Organization (PAHO) are planning a study on the economic costs of the impact on health of water pollution. In 2002, a similar study was prepared for the Mexican authorities. In Colombia, ECLAC and UNDP executed a joint project entitled "Support to the implementation of a system of indicators on sustainable development". ECLAC is also cooperating with UNDP in the implementation of extrabudgetary projects: one with UNDP El Salvador on "Support programme: violence in a transitional society" and one with UNDP/Mexico on "Updating and consolidation of the Mexican strategy for development cooperation", with emphasis on technical cooperation between developing countries. In El Salvador, in 2001, ECLAC and UNDP also cooperated on natural disaster evaluation missions.

Economic Commission for Africa

126. Collaboration involved participation in each other's meetings or the organization of joint activities. UNDP continued to participate in the regional coordination meetings of United Nations agencies in Africa held under the auspices of ECA. The two organizations also undertook joint activities at the national level within the context of the Resident Coordinator system and the Common Country

Assessment/United Nations Development Assistance Framework in several countries in the region.

127. In May 2002, ECA and UNDP jointly convened the fifth Africa Governance Forum in Maputo, Mozambique, on the theme "Local governance and poverty reduction in Africa". The Forum brought together participants from government, civil society, the private sector and partner organizations to discuss the following issues: political leadership and participation; social services delivery for increased access and delivery; fiscal decentralization and financial management; and linkages and integration. A number of recommendations were adopted by the Forum.

Economic and Social Commission for Western Asia

128. ESCWA has developed joint cooperation in the area of social development with UNDP national offices in the Arab world. It also collaborated with UNDP in implementing a project on gender statistics and on poverty issues. ESCWA and UNDP, together with the Ministry of Social Affairs in Lebanon, agreed to organize a series of training workshops on reform and capacity-building of the social development services centres. Moreover, both ESCWA and UNDP Lebanon organized a workshop on water tariffication and groundwater legislation in Beirut, in January 2003 under the project on a national policy framework for water resources management in Lebanon.

129. ESCWA and UNDP Jordan are jointly implementing a project, "Towards integrated social development policies in Jordan", aimed at supporting the development and enhancement of social policies in Jordan by surveying the Government's approach to social policy formulation. They will also collaborate in developing human development profiles and strategy for the country. With UNDP Iraq, ESCWA is assisting in the preparation of the National Human Development Report.

130. A major regional project in the area of statistics, initiated in 1997 and primarily funded by UNDP, deals with the development of national gender statistics programmes in the Arab countries. The project is currently being administered in 12 Arab countries and engages a wide spectrum of producers and users of gender statistics.

III. Interregional cooperation

A. Theme on interregional cooperation: "Development dimensions of trade negotiations: a regional perspective"

131. The Fourth WTO Ministerial Meeting, held in Doha in November 2001, offered assurances in regard to addressing the development concerns of the developing countries, thus signalling a significant departure from the previous eight rounds of Multilateral Trade Negotiations. Indeed, the Doha Declaration affirmed to seek to place the developing countries' "*needs and interests at the heart of the Work Programme*".[3] Further, the declaration recognized "*the particular vulnerability of the least developed countries and the special structural difficulties they face in the global economy*" and expressed commitment "*to addressing the marginalization of the least developed countries in international trade and to improving their effective*

participation in the multilateral trading system".[4] The Doha negotiating agenda includes areas of interest to all countries, among them: agriculture; services; market access for non-agricultural products; trade-related aspects of intellectual property rights (TRIPs), particularly as they relate to public health; WTO rules on anti-dumping measures, subsidies and regional trade agreements; the Dispute Settlement Understanding; the relationship between trade and the environment; electronic commerce; provisions for special and differential treatment; the relationship between trade, debt and finance; trade and transfer of technology; technical cooperation and capacity-building, the relationship between trade and investment; the interaction between trade and competition policy; transparency in government procurement; and trade facilitation. A further decision on negotiations on the four latter topics will be taken, by explicit consensus, at the Cancun Ministerial Conference, in September 2003.

Status of negotiations following the Doha Ministerial Meeting

132. The Doha agenda is ambitious and wide-ranging. Given the overriding importance of the negotiations and their implications for national and international initiatives for development, the regional commissions are endeavouring to enhance the capacity of developing countries to formulate and implement strategies for benefiting from economic globalization, strengthening their negotiating positions within WTO and promoting intraregional trade as a step towards integration into the global economy.

133. At the heart of the Doha agenda stand the liberalization of agricultural production and trade, and the implementation-related issues and concerns, broadly defined. The failure of negotiations to cut trade-distorting farm subsidies and the failure to reach agreement on the scope of talks for freeing up trade in agriculture by the deadline of 31 March 2003 have been a serious setback. Agriculture is a critical area for most developing and least developed countries and no single change would make a greater contribution to development and poverty alleviation than fully opening the markets of developed countries to goods produced by developing countries. Similarly, missing the deadlines for the negotiations on special and differential treatment, as well as on access to essential medicines for countries without local manufacturing capacity, was deeply disturbing for engaged developing countries.

134. Effective and beneficial participation of the developing countries in WTO is indispensable in order for them to avoid marginalization in a rapidly globalizing world economy. Yet, the obstacles that they face are formidable. Vast numbers of them remain outside WTO. Even for a sizeable number of WTO members, the complexities of the various legally binding agreements under the WTO regimes, including the General Agreement on Trade in Service (GATS), are difficult to comply with. A new and expanded GATS could contain a new and broader definition of "service" covered by the agreement, as well as other new provisions. Even without new and additional complexities, many developing countries seriously lack the capacity to take advantage of the WTO provisions to advance their national interests. For instance, in the eight years during which WTO has been active, 300 cases have been submitted to its Dispute Settlement Body, individually or jointly. Among the developing countries, those of the Latin American and Caribbean region made the most use of this body. The countries of this region, either individually or with others, were involved in almost 23 per cent of all requests for consultation.[5]

135. UNCTAD and the regional commissions, as well as other relevant organizations of the United Nations, have been providing analytical inputs for a proactive development agenda, as the developing countries prepare for negotiations in the Doha Development Round. Just as they sought to promote the meeting of minds in their respective regions prior to the Fourth WTO Ministerial Meeting in Doha, they are making similar efforts in preparation for the Fifth Ministerial Meeting, to be held in Cancun, Mexico, from 10 to 14 September 2003, through organizing policy meetings at the intergovernmental level, the issuance of recurrent and non-recurrent publications, and the holding of seminars and workshops.

136. Many developing countries, including the WTO members, especially the smaller economies and those belonging to disadvantaged categories, such as least developed countries (LDCs) and small island developing States, require sustained support in institution-building, in developing their knowledge base relating to the WTO legal framework and implementation of its various agreements, and in formulating national policies and regulations. Though most of these functions are primarily carried out by WTO and UNCTAD through their technical cooperation programmes, the regional commissions, in view of their geographical proximity and considerations of cost-effectiveness, very often cooperate with the global organizations in the implementation of those programmes. Indeed, both WTO and UNCTAD have ongoing cooperation arrangements, including memorandums of understanding, with the regional commissions for providing support to the developing countries. Since 2000, ESCAP and WTO have been implementing a joint programme of technical assistance in the ESCAP region that has been commended by the Commission for the valuable capacity-building opportunities it provides to developing countries. The programme consists of biannual two-week trade policy courses and specialized seminars on the ongoing Doha negotiations. Likewise, ECLAC hosted a two-week regional training course, organized by UNCTAD, on key issues on the international economic agenda, especially in the context of the current multilateral trade negotiations; and ESCWA and WTO organized a training workshop on trade in services for Arab countries, in December 2002. ESCWA, in cooperation with the World Intellectual Property Organization (WIPO), also organized a special symposium on intellectual property rights for the Lebanese judiciary, in August 2002. All of the regional commissions offer advisory services on procedures for accession to WTO and on trade policy issues.

137. Despite the avowed intention of WTO to achieve "universality", a large number of countries, almost invariably belonging to the developing category, remain outside of the WTO regime. As of April 2003, among the members and associate members of the regional commissions, as many as 29 remained in the "observer" category, while another 33 had "no status".[6] Most of those outside WTO belong in one or more of the vulnerable categories (19 least developed countries, including 9 in Africa; 12 island developing countries; 14 landlocked developing countries). Some of the above "outsiders" have remained engaged in negotiations to gain membership almost since WTO came into existence in 1995, while a few others started their accession negotiations even before 1995, under the General Agreement on Tariffs and Trade (GATT). Currently, only article XII of the Agreement establishing WTO governs this situation, by simply stating, "Any State or separate customs territory ... may accede to this Agreement on terms to be agreed between it and the WTO". In practice, the ambiguity of the provision leaves space for all kinds of pressure. The lessons drawn from experience in the negotiations of the countries

seeking accession show, inter alia, lingering delays, significant lack of understanding by some of the applicants as to the implications of certain WTO rules for their economies, refusal by some members to extend to the applicants the benefits of certain "Uruguay Round methodologies" (for example, special safeguard provisions under article 5) and refusal by some members to provide a reasonable transition period for implementation of complex agreements, such as the TRIPs Agreement.[7]

138. Studies have shown that commitments by newly acceding members are generally higher than those of WTO members at comparable levels of development.[8] Notably, no LDC has managed to accede to WTO since its establishment in January 1995 and only one of them (Vanuatu) has completed the negotiations. The European Union (EU) has been suggesting that a "fast track approach" should be applied for LDCs. The EU gave some hints about what it meant by this fast track in defining minimum criteria and procedures: (i) automatic eligibility of all acceding LDCs for all provisions for special and differential treatment in existing WTO agreements; (ii) taking full account of the constraints under which LDCs act when seeking concessions from them; and (iii) providing adequate technical support during the accession process.[9] The High-level Brainstorming Meeting for African Trade Negotiators Preparatory to the Fourth WTO Ministerial Conference, organized by ECA and the Organization of African Unity, in collaboration with UNCTAD, WTO and the African Economic Research Consortium in June 2001, proposed that acceding Governments not be asked to undertake more stringent obligations than present WTO members, and stressed the importance of providing adequate transition periods for acceding countries. Further, it agreed that a "positive negotiating agenda" would need to reflect implementation of the WTO provisions on "special and differential treatment" for developing countries. Consequently, a significant development was the adoption by the WTO General Council, in December 2002, of guidelines to streamline the accession of LDCs. However, their effectiveness remains to be tested.

Regional scenerios and integration groupings

139. In a multipolar trading world of multiple and complex interests, regionalism has gained increasing attention from countries, developed and developing alike, as an attractive strategy to pursue their economic interests. Consequently, of the 200 or so regional trading arrangements (RTAs) that have been notified to the GATT/WTO over the past 50 years, almost half were concluded after 1990, especially in the latter stages of the Uruguay Round, following recurring delays in bringing the Round to a successful conclusion. Currently, all major trading countries belong to one, or more typically two or three, RTAs or to some kind of regional integration arrangements. The regional initiatives are important for two reasons. First, regional agreements are generally concluded between major trading partners and therefore have an immediate and significant impact on imports and exports. Second, regional commitments often go much further than those taken at the multilateral level. With regard to import tariffs, many of the preferential trade agreements actually require zero import tariffs; this is not the case in the WTO negotiations.

140. Regional trade, in general, continues to occupy an ever-increasing share of global trade.[10] RTAs offer not only a cushion against the volatilities of the global situation, they also enable countries to gain significant experience in dealing with a multilateral trading system. It is, however, essential that RTAs remain open trading

arrangements and WTO-consistent. Acceding to such RTAs helps countries carry out economic reforms, lower barriers to trade and strengthen ties and relations with other countries whose support can be useful in the WTO accession negotiations. RTAs should be seen only as complementing — and never as substituting for — the global trading arrangement under the WTO process.

141. Over the past decade, the ECE region has been undergoing major changes in trade relations. The extensive trade liberalization in the former centrally planned economies since 1989 and, more recently, the ongoing process of seeking EU membership undertaken by a substantial number of those countries have led to a rapid reorientation of their trade towards Western Europe. The EU has developed its bilateral relations through association agreements with its Central and Eastern European partners, partnership and cooperation agreements with the Commonwealth of Independent States (CIS) and, finally, through stabilization and association agreements with its partners in South-Eastern Europe. Those agreements were developed in parallel to the EU enlargement process, whereby 10 countries will become members in 2004. At the same time, there have been a large number of preferential agreements formed among the countries of Eastern Europe and the CIS. In Central and Eastern Europe, the most important initiative is the Central European Free Trade Agreement (CEFTA). In the CIS region, nearly all countries have signed bilateral free trade agreements with each other. However, not all of those agreements are implemented or enforced.

142. Recently, the EU launched a "wider Europe" initiative, in which ECE is playing a supporting role. The purpose of this initiative is to mitigate the negative implications of EU enlargement for non-acceding countries, including neighbouring CIS countries and southern Mediterranean countries. Meanwhile, negotiations are continuing between the EU and Russia regarding the Common European Economic Space.

143. There are currently more than 15 RTAs in operation in the ESCAP region, most of which are clearly grounded in regional political alliances or common cultural affinities. The most highly integrated arrangements are those based on negative list (as opposed to positive list) approaches to liberalization, where all products and services are automatically covered, unless they have been listed specifically as subject to exemptions. Examples of such advanced RTAs are the Australia and New Zealand Closer Economic Relations Trade Agreement (ANZERTA) and the Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA). A number of other RTAs in the ESCAP region are based on a product-by-product, positive list approach to liberalization. This is a much less advanced form of integration, of which the South Asia Preferential Trading Arrangement (SAPTA), the Melanesian Spearhead Group (MSG) in the Pacific and the Bangkok Agreement are examples. The latter has gained a new momentum with the accession of China. China has also signalled its interest in joining in a free-trade arrangement with ASEAN. More recently, the ESCAP region has seen a surge in bilateral trade agreements, many of which are based on broad economic partnership concepts that go beyond tariff liberalization.

144. Latin American intraregional exports expanded at rates higher than the world average in the 1990s, although the performance in the region has been heterogeneous. Mexico, Central America and some Caribbean countries benefited from United States demand for imports and their exports increased at very high

rates. Plurilateral negotiations aimed at the formation of the Free Trade Area of the Americas are also being pursued. Growth in trade was especially strong within the main interregional agreements, particularly the Southern Common Market (Mercosur) and the renewed Andean Community between 1990 and 1995, when the yearly increase rates were 22 and 19 per cent, respectively. In all cases, exports of goods and services in Latin America have been severely affected by the international crisis of the last two years. According to ECLAC, the expansion of exports has not been converted into economic growth and the region still displays high levels of "structural heterogeneity", a concept advanced to characterize the existence of huge productivity differentials across sectors. After more than one decade of deep integration of Latin American and Caribbean countries into the world economy, there has not been a transfer of productivity from successful exporting firms to the rest of the economy. Along the same lines, ECLAC has questioned the role of trade and foreign investment in promoting the linkages between exporting firms and sectors and the rest of the economy. Natural resource-based exports tend to be better promoters of forward and backward linkages with the rest of the goods- and services-producing sectors in the economy than import-intensive exports such as in the case of the export-processing (maquila) specialization of Mexico and Central America.

145. Africa is the weakest partner in global interdependence. The weak capacity prevailing in many African countries is also reflected in lack of: capacity to utilize the linkage between trade and development; technical capacity to analyse trade issues and their implications for the African economies; capacity to adjust to the legal complexities of multilateral and bilateral trade agreements and arrangements; and capacity to deal effectively with supply constraints that inhibit African countries from being effective partners in global economy. Absence of efficient infrastructure is a major cause of Africa's low competitiveness and very low levels of intraregional trade and investment. According to the World Bank, freight costs for landlocked African countries are more than twice as high as in Asia. In 1990, the International Monetary Fund (IMF) classified 75 per cent of countries in sub-Saharan Africa as having "restrictive" trade policies. However, only 14 per cent of them are now considered as having restrictive trade policies. The situation is still far from ideal as average tariffs of 19 per cent in Africa are higher than the 12 per cent average in the rest of the world. African tariffs on raw materials such as fibres remain high. Taxing key inputs for labour-intensive industries like clothing and textiles, which Africa has a comparative advantage to produce and export, is counter-productive. Likewise, high tariffs on fertilizers, pesticides and agricultural chemicals constitute an important disincentive to local production for export. Tariffs on essential inputs in farm production, such as fertilizers (produced by a number of African countries), average four times those imposed in South-East Asia.

146. The establishment of the African Union (AU) in 2002, in place of the Organization for African Unity (OAU), heralds a significant reorganization of the African integration movement. The AU emphasizes economic integration as the route to political unity. In line with this approach, ECA organized the Third African Development Forum in September 2001 on the theme "Defining priorities for regional integration", with the aim of contributing to the process of establishing and galvanizing the AU. ECA is also bringing out later this year its first Report on Integration of Africa. It reports that the second half of the 1990s saw some progress towards closer economic integration within Africa's various regional groupings. In

addition to analysing a broad spectrum of integration issues and examining specific indicators for each regional economic community, the report has developed its own African Integration Index, which combines data from eight different sectors of activity: trade; money and finance; transport; communications; industry; energy; food and agriculture; and human development and labour markets. In the 12 RECs reviewed, progress is uneven. Three regional economic communities are clear frontrunners: the Union Economique et Monetaire Ouest Africaine, the Economic Community of West African States and the Southern African Development Community. The Communauté Economique des Pays des Grands Lacs, comprising Rwanda, Burundi and the Democratic Republic of the Congo, fared the worst, in large part because of the incessant wars that have afflicted the region. Similarly, wars within the Mano River Union, made up of Guinea, Liberia and Sierra Leone, also brought poor performance initially, although integration advanced somewhat in latter years as fighting subsided in Liberia.

147. The ESCWA region also suffers serious handicaps in making the best use of trade, both intraregional and global. Overall Arab trade amounted to 2.6 per cent of world trade in 2001, which is low compared to other regions, while the share of FDI flows to the Arab countries registered only 0.8 per cent of the world FDI. Other indicators of integration with the world economy relating to trade in services are also low. In terms of tourism, the share of the Arab region in 2001 was 4.8 per cent of number of tourists worldwide; and 3.6 per cent of the world tourism revenues.

148. Eleven Arab countries, including seven ESCWA members, are currently members of WTO. Another five countries, namely, Algeria, Lebanon, Saudi Arabia, the Sudan and Yemen, three of which are in the ESCWA region, are in the process of accession. Their membership in WTO will have a significant bearing on the region. A large number of Arab countries have been engaged in trade agreements with Western countries, under or through Euro-Mediterranean Partnership agreements and other bilateral agreements, such as the Jordan-United States Free Trade Agreement. Arab countries have entered into agreements aimed at increasing trade among themselves. The most recognized of these is the Greater Arab Free Trade Area, established in 1998, with a membership of 14 Arab countries, and expected to come into force in 2005. The Gulf Cooperation Council countries also established a free trade area in the 1980s and are working towards establishing a customs union. Trade restrictions remain high in many countries of the region. The successful implementation of GAFTA will support the trend of negotiations in WTO by reducing tariff and non-tariff barriers or eliminating them; the partnership agreements with the EU are also in line with those trends. Some recent initiatives by the Arab countries in response to the challenges of globalization and regional integration are reflected in three other main sectors, in addition to trade. These are transport, energy and the environment. In terms of transport, the Integrated Transport System for the Arab Mashreq, developed by ESCWA and ratified by 11 Arab countries so far, will prepare the way for a network of international roads with global specifications. In the energy sector, projects on electricity and gas networks are in progress. In the area of the environment, the establishment of the Joint Committee on Environment and Development in the Arab Region will facilitate integration and interaction in the field of sustainable development.

The role of the regional commissions

149. The regional commissions, by virtue of being regional organizations themselves, in addition to being the regional arm of the United Nations in the economic and social fields, maintain close cooperation with the regional integration and cooperation groupings in their respective regions. Their substantive interactions are also facilitated by varying degrees of subregional presence by three of them, namely, ECA, ESCAP and ECLAC. More particularly, their decades-long experience in analysing the trends in regional trade and their capacity to analyse regional implications of the Multilateral Trade Negotiations and the GATT/WTO agreements places them in a unique position to support their developing member and associate member countries in their dealings with global and regional trading arrangements. This support is necessary inasmuch as simultaneous negotiations of trade agreements at the bilateral and multilateral levels pose a number of challenges: (a) ensuring that commitments taken at different levels are mutually supportive, coherent and non-contradictory; (b) enabling more dynamic interaction between the private and the public sectors in order to ensure that those agreements become effective trade promotion instruments; and (c) assisting in capacity-building to ensure that negotiators can defend and promote their country's interests in the various trading arrangements.

150. In addition to the regional commissions' established role, in cooperation with WTO and UNCTAD, in providing technical assistance for capacity-building and for strengthening the participation of developing countries in the WTO regime, the regional commissions' unique advantage of geographical proximity also enables them to analyse the interaction of multilateral integration with ongoing regional trade processes and to share the experiences of countries and identify best practices in that regard. Further, in view of growing realization of the dynamic effect of trade facilitation on competitiveness and market integration, the regional commissions are taking a more proactive role in promoting trade facilitation measures in their respective regions. In that regard, they also cooperate closely among themselves, as well as with other United Nations organizations, as indicated in subsection B.2 below.

B. Cooperation among the regional commissions in given areas

1. Transport and transport facilitation

151. Cooperation among the regional commissions has witnessed continuous progress with regard to concerted efforts at harmonizing border crossing formalities and technical standards for transport infrastructure and trade procedures. An example of such cooperation is a joint project entitled "Capacity building in developing interregional land and land-sea transport linkages", which the regional commissions have started implementing over the period 2002-2006, with ESCWA acting as the lead agency currently. Progress made in the project so far includes ratification of transport agreements; identification of national focal points for countries participating in the project; and the taking of steps towards the preparation of country profiles and country reports. Within the framework of the project, ECA and ESCWA are taking the necessary action to identify and formulate interregional transport linkages within their geographical regions. A similar exercise will be

undertaken by ESCAP to indicate appropriate interregional linkages with the ESCWA region through the Islamic Republic of Iran and Turkey.

152. ESCAP and ECE have prepared an implementation plan with regard to the Asia-Europe transport linkages, which includes defining the implementation responsibilities of each of the commissions with respect to the 17 participating member countries, and draft terms of reference for the national focal points. The countries of the Special Programme for the Economies of Central Asia (SPECA) expressed their appreciation for this component of the project during the eighth session of the Project Working Group on Transport and Border Crossing, held in Baku, Azerbaijan, in March 2003. The project constitutes an important activity within the SPECA programme of work in developing the transport corridors for the landlocked countries in Central Asia and the Caucasus to improve their market access to Europe. (See more below under SPECA.)

153. ESCWA member States adopted the Agreement on International Railways in the Arab Mashreq in April 2003, under a project entitled "Integrated transport system of the Arab Mashreq". The Agreement calls for the implementation of unified technical standards for a railway network, similar to those of ECE, and will help improve interregional and intraregional transport linkages. ECA and the African Development Bank carried out a study on the status of the missing links along the trans-African highways and all stakeholders reviewed the study at a meeting in Addis Ababa on 30 and 31 January 2003. These activities are part of the ECA programme to promote a regional network comprising trans-African highways, ports and railways. ECLAC has engaged consultants to prepare a report on identification of major maritime routes as a component of the commission's effort to enhance international shipping services as part of the land-sea linkages in the region. The study focuses on each significant combination of feeder service and trans-oceanic service across the Atlantic and Pacific oceans currently utilized for trading between Latin America and Asia, Africa and Europe. The comprehensive study covering this activity will be completed during the second half of 2003.

154. A further example of an interregional initiative on transit transport was an ESCAP seminar held in Kunming, China, in September 2002, on the promotion and implementation of the Customs Convention on Containers and the Customs Convention on the International Transport of Goods under Cover of TIR Carnets. The seminar, which was organized in cooperation with ECE, considered the appropriate legal framework for transit transport in the Greater Mekong subregion. In addition, ESCAP is currently discussing with the Transport Division of ECE the possibility of organizing a workshop in India on the European Agreement concerning the Transport of Dangerous Goods by Road (ADR).

2. Trade facilitation

155. The International Forum on Trade Facilitation "Sharing the gains of globalization in the new security environment", took place in Geneva on 14 and 15 May 2003 and was organized by ECE in collaboration with ESCAP, ECLAC, ECA and ESCWA. The Forum concluded that the regional commissions should play a strong role in supporting and developing technical cooperation initiatives for the implementation of trade facilitation, in cooperation with other relevant international organizations. As a result, a joint project, entitled "Interregional partnership for promoting trade as an engine of growth through knowledge management and taking

advantage of information and communication technology" has been submitted for funding to the Development Account, with ECLAC acting as the lead agency for the project. The objective of this joint interregional project is to strengthen both the international competitiveness and the negotiating capacities of developing countries by sharing knowledge on problems and best practices in the various countries and regions relating to (i) trade promotion and diversification; (ii) a greater participation of small and medium-sized enterprises (SMEs) in global supply networks; (iii) designing and implementing trade facilitation policies at national and regional levels; and (iv) a greater use of knowledge management and information and communication technologies in supply chain management. It is anticipated that the project will be carried out over a 24-month period beginning in 2004.

156. On trade facilitation and e-business, ECE is cooperating with ESCAP and ESCWA on the operation and maintenance of the UNeTradeS.Net web site (http://www.unece.org/etrades/welcome.htm), which provides a single one-stop-shop for traders to receive information on trade and e-business in a user-friendly format.

157. On trade and sustainable development, the Doha WTO Ministerial Conference and the World Summit for Sustainable Development underscored the need for developing countries to build their capacities for addressing the multifaceted and complex trade and environment issues. To accomplish this, ESCAP will lead a joint project with other regional commissions, UNCTAD and the United Nations Environment Programme (UNEP) to strengthen the capacity of developing member States to formulate and negotiate effective trade and environment policies, taking into account their linkages, implications for market access, their relationship to multilateral environmental agreements and their relevance to national priorities.

158. In the area of food standards, ECE and ESCAP jointly organized a seminar on "Coping with food supply chain globalization" in Kuala Lumpur, Malaysia, in June 2003. The seminar is part of ongoing training courses held by the commissions to enhance the ability of Asian countries to trade their agricultural produce internationally.

3. ECE/ECA/ESCWA cooperation in the Mediterranean

159. The joint ECE, ESCWA and ECA project "Capacity-building in trade facilitation and electronic business in the Mediterranean region" aims to increase the competitiveness of companies in the Mediterranean region in regional and global markets. The project seeks to do this through simplifying and harmonizing trade procedures throughout the transaction chain; implementing automated processes and information technology for administration and commerce; and facilitating the participation of SMEs in electronic business. It focuses on trade among the non-European Union Mediterranean countries, members of ECE, ESCWA and ECA.

160. The first task of the project was to identify potential project member organizations in participating countries and progress in that undertaking has been achieved. A total of 12 countries and regional chambers of commerce in the three regions are involved in the project, which is funded under the Development Account for the current biennium and which is seen as a model for future cooperation in trade facilitation between the regional commissions.

4. Special Programme for the Economies of Central Asia

161. Cooperation between ECE and ESCAP has continued in the execution of the Special Programme for the Economies of Central Asia (SPECA). The Regional Advisory Committee, which overlooks and provides guidance for programme implementation, held its fourth session in Bishkek, Kyrgyzstan, on 28 and 29 November 2002, during which Azerbaijan was admitted as a member of SPECA. At that session, the Committee looked into the early operationalization of the Business Cooperation Council of SPECA, with a view to promoting international trade and investment flows directed towards Central Asian countries. The Regional Advisory Committee has focused on three project working groups, namely, on transport and border crossing (led by Kazakhstan); on efficient use of energy and water resources (led by Kyrgyzstan); and on an international economic conference (led by Tajikistan).

162. In the project working group for transport, cooperation was focused on border crossing and transit facilitation. In particular, the list of regional investment projects to be submitted to international financial institutions was prepared and reviewed. Work has continued on the preparation of a memorandum of understanding on the international road transport of goods in the framework of SPECA for its further signing at the ministerial level; the elaboration of a SPECA joint position for the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation (Almaty, August 2003); and the draft action programme for transit transport cooperation in the subregion.

163. In the project working group for energy, cooperation centred around the joint ECE/ESCAP Development Account project which provides for capacity-building in the area of rational and efficient use of energy and water resources in Central Asia. The fourth version of the Concept of Regional Strategy on Rational and Efficient Use of Energy and Water Resources in Central Asia was prepared and adopted. In close cooperation with the Organization for Security and Cooperation in Europe, ESCAP and ECE will provide assistance to Kazakhstan and Kyrgyzstan to establish a bilateral commission to operate the water facilities of inter-State use and prepare methods of allocating the exploitation and maintenance costs. In addition, several training courses/workshops were offered in the subregion on project development, financial engineering and business planning, and on water resources management.

164. The project working group for Tajikistan organized the International Economic Conference on Tajikistan in Dushanbe, from 2 to 4 April 2003. The conference was a significant milestone in mobilizing the support of the international community for the development of the subregion. The conference focused on (a) a medium-term strategy of structural transformation, economic recovery and reforms in Tajikistan; (b) a strategy of subregional economic cooperation in Central Asia; and (c) a global cooperation framework with particular attention to issues relating to participation in the multilateral trading system. In addition, ESCAP, in cooperation with UNCTAD, organized a Regional Round Table on Foreign Direct Investment for Central Asia on 3 and 4 April 2003 in Dushanbe. The round table discussed the promotion and facilitation of foreign direct investment at the national and subregional levels of interest to potential investors from Asia and Europe and other trade and economic partners.

165. Participating countries, and the international community have come to appreciate the SPECA activities and the accession of Azerbaijan to SPECA is a manifestation of the growing recognition of this unique programme. A number of international organizations and national technical assistance agencies from the donor countries have cooperated with SPECA in the implementation of its projects and programmes. ECE is organizing a conference on SPECA on 23 and 24 June 2003 in Geneva, to provide the member countries with the opportunity to present the results of transition reforms, challenges and needs, and to establish new contacts and partnerships.

5. ECE/ESCAP cooperation in the field of energy

166. ECE and ESCAP regularly exchange information on ongoing and planned operational activities, in particular with regard to planned projects involving countries that are members of both commissions (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Turkey and the Russian Federation).

167. During the current biennium, the two commissions have coordinated their energy activities and extrabudgetary resources. ESCAP is organizing an international training course for energy managers from countries of Western and Central Asia in Ankara, Turkey, in June 2002, for which ECE provided experts. Expertise from ECE was also provided to the Meeting of Senior Officials on Energy Cooperation in North-East Asia and the Expert Round Table on Technical Cooperation and Financing of Energy Efficiency Projects, held in Vladivostok, Russian Federation, in April 2003.

6. Statistics

168. There has always been good cooperation among the regional commissions in the field of statistics and interregional cooperation across the United Nations regions has gained increasing attention in connection with the Millennium Development Goals.

169. The increased cooperation is already evident in the context of the Conference of European Statisticians (CES) and its Bureau, where representatives of the other regional commissions participate regularly in the work of CES. In 2002, representatives of ECLAC and ESCAP participated in the CES annual plenary session and, starting in 2003, a summary report of the planned future work of other regional committees of statistics is being prepared as background information for the plenary sessions of the Conference. Furthermore, the ECE secretariat has proposed to the CES Bureau the possible extension of the integrated presentation to cover the statistical activities of the other organizations that are members of the Executive Committee on Economic and Social Affairs, including the other four regional commissions. The CES Bureau will discuss this proposal in detail in October 2003. There is also frequent participation of delegates from the other regional commissions in expert group meetings organized by the ECE Statistical Division in various subject areas, such as national accounts, international comparison of gross domestic product, migration statistics and gender statistics.

170. The regional commissions also cooperate in the delivery of technical cooperation. In 2001, ECE organized, in cooperation with ESCAP, an interregional seminar on the fundamental principles of official statistics, in Ulaanbaatar,

Mongolia. A second seminar of this kind was held in Almaty, Kazakhstan, in April 2003. ECE and ESCAP also enjoy an ongoing exchange of information on regional advisory services in Central Asian and South Caucasus countries.

7. Gender equality

171. The first phase of the project on gender indicators was undertaken within the framework of the Inter-Agency Network on Women and Gender Equality. The project was funded from the Development Account and ECLAC was appointed as task manager. During the 2003 meeting of the Interagency Network, ECLAC reported that the task force set up in this regard had successfully completed its work, and that all the regional commissions had set up databases compiling available indicators of women's empowerment and gender equality from multilateral and bilateral sources. The second phase of the project is to link these indicators to the Millennium Development Goals, and the World Bank and UNDP have been designated as co-task managers. ECLAC has already clustered gender indicators according to the Millennium Goals on the basis of interagency collaboration in 17 countries and the regional database is available on the ECLAC web site. The database allows for the Interagency Network members to provide data required for system activities within the context of the Millennium Declaration.

172. Each of the other regional commissions has launched projects and activities to respond to the need to make gender indicators available for policy-making in their respective regions and many of these projects have been posted on their web sites. For example, ECE has posted on its web site regional gender statistics which allow the monitoring of the situation of women and men. ESCAP has developed a framework of gender indicators which it has posted on its web site. ECA developed a "Status of African women" index that will provide benchmarks for gender in the Millennium Goals and the NEPAD targets. On the ESCWA web site, country profiles on the situation of Arab women are available, as well as annotated bibliographic entries on the Arab family.

173. On gender equality and ITC, initial agreement was reached with the International Telecommunication Union (ITU) to hold regional meetings in 2003 on gender and information and communication technologies in preparation for the World Summit on the Information Society. In January 2003, ESCAP joined with other organizations in supporting the Asia Pacific Gender Forum at the regional preparatory meeting held in Japan for the World Summit on the Information Society. In addition, a round table held in Bucharest, on 7 November 2002, on the theme "Building a gender sensitive information society", examined the "gender divide" within the digital divide as a serious concern in all countries in the ECE region, especially countries in Eastern Europe and the CIS where women's position in the economy has deteriorated during the past decade. The organizers of the round table were ECE, the Government of Romania, UNDP, the United Nations Development Fund for Women (UNIFEM) and ITU. They recommended mainstreaming gender into ICT policy debate in order to create an enabling environment for women. Similar meetings are planned for other regional commissions.

8. World Summit on the Information Society

174. The regional commissions are keen to promote interregional cooperation in ICT. Accordingly, on the sidelines of the second session of the Preparatory Committee for the World Summit on the Information Society, a regional coordination meeting was held on 24 February 2003. In addition to the five regional commissions, the ICT Task Force, FAO, UNCTAD, UNDP and the secretariat of the World Summit participated. Representatives of the regional commissions called for better coordination of regional efforts and regular exchange of "best practices", especially between commissions with overlapping areas of responsibility or covering regions that faced common challenges. Information sharing was identified as a fundamental condition for ensuring better coordination. To that end, it was agreed to design a format to facilitate circulation of information among the regional commissions, and to use information and communication technologies to support this process. It was also decided to circulate concrete proposals for future consultations.

IV. Report of the Executive Secretaries

175. The Executive Secretaries met on four occasions, on 18 July 2002, 1 September 2002, 26 and 27 September 2002 and 12 February 2003, in conjunction with the 2002 substantive session of the Economic and Social Council, the Johannesburg Summit, the meeting of the Senior Management Group and the Executive Committee on Economic and Social Affairs. At these meetings, the Executive Secretaries exchanged views on the preparations undertaken by the commissions for the World Summit for Sustainable Development and the World Summit on the Information Society; the second set of reforms of the Secretary-General, Strengthening the United Nations: An Agenda for Further Change; global development issues as they relate to their respective regions; areas requiring cooperation among the commissions and the relationship of the commissions with their partners in the United Nations system. The Executive Secretaries also exchanged views on the main strategic tasks before their respective commissions so as to assist Member States to implement the commitments in the Millennium Declaration and those arising from other United Nations conferences and on how they should reflect this in further priority setting as part of the process of their preparation of the proposed programme budget for the biennium 2004-2005.

176. **The Executive Secretaries agreed that the commissions provide an important regional forum for the exchange of policies and best practices among member States and other stakeholders. With respect to world conferences, the commissions brought global concerns to their regions and regional concerns to global forums. While achieving development goals and targets was clearly the primary responsibility of national Governments, the commissions could assist their member countries in peer reviews and the exchange of information, including on lessons learned. The regional level was key for effective implementation as it provided a bridge between national priorities and global concerns. Monitoring and review at the regional level should also provide information on regional initiatives and processes, as well as partnerships. Such reviews would provide an analysis and assessment of national experiences and identify progress and constraints experienced at the national, subregional and regional levels, so that the issues at hand could be more effectively addressed at**

the global level. The Executive Secretaries agreed to continue their efforts to highlight the role of the regional commissions in forging common regional positions, as well as special concerns that were unique to the regions.

177. **The Executive Secretaries agreed that although the dual role of the regional commissions, as regional outposts of the United Nations and as its regional expression, had been reaffirmed by the Economic and Social Council in its resolution 1998/46, the Secretary-General's proposals for further reform, including for the preparations for results-based budgets, should bring greater convergence of the commissions' activities with the priorities of the Millennium Declaration and the outcomes of major world conferences. For this purpose, through the process of preparation of the proposed programme budget for the biennium 2004-2005, the commissions had further strengthened their priority setting and strategic planning. They had also streamlined their organizational structures and the functioning of their subsidiary governmental forums. All five commissions had also reinforced their outreach activities, including through improved dissemination of information about their activities through institutional web sites, a consolidated publication strategy and improved press coverage.**

178. The Executive Secretaries also considered the Secretary-General's reform proposals relating to technical cooperation and his intention to clarify who does what, so as to achieve greater coherence and complementarity in the provision of these services, in his report on the subject to the General Assembly at its fifty-eighth session. They underscored the importance of the role of the commissions in providing technical assistance in key areas such as trade, macroeconomic analysis and finance; sustainable development, including water and energy; transport; social development and social integration; the advancement of women; governance; institution-building; science and technology for development; and statistics and data collection. Their technical cooperation role supports their role in normative and analytical work by ensuring that it remains closely linked to the development realities on the ground. It also facilitates the implementation by their respective member States of regionally and globally agreed development goals and norms and standards. The Executive Secretaries were of the view that the commissions should, in particular, play the overall leadership role in facilitating cooperation and the coordination of technical cooperation activities provided by United Nations entities to regional and subregional processes. The regional coordination meetings mandated by the Economic and Social Council should be utilized for this purpose.

179. **The Executive Secretaries reviewed the regional coordination meetings and found them to be useful for information exchange; however, they agreed on the need to make them more strategic in their approach to coordination. Given that those meetings had varied in approach and outcome, depending on the issues discussed, they should be made more effective for the coordination of follow-up to world conferences and other global intergovernmental commitments and, in particular, for regional monitoring of the achievement of the Millennium Development Goals. In this connection, the Executive Secretaries stressed that the goal of these meetings should be to encourage collaboration among the United Nations entities and effective linkages of their activities so as to ensure a more coherent response by the United Nations system to agreed priorities for their respective regions. The Executive Secretaries also noted that the mandate provided to ECA for coordination and**

monitoring of the activities of the United Nations system in support of NEPAD, as well as the endorsement by the United Nations System Chief Executives Board of the role of ECA, had ensured a stronger direction for the regional coordination meetings, while maintaining their simple structure and lack of bureaucratic layers.

180. The Executive Secretaries also exchanged views on the Secretary-General's proposals for strengthening the role of the Executive Committee on Economic and Social Affairs for strategic planning and policy coherence. They noted that the Committee's work has led to improved interaction between the regional commissions and other relevant United Nations entities working at the global level. They expressed satisfaction with the substantive exchange undertaken in connection with the preparations for the programme budget for the biennium 2004-2005, in particular the identification of ways for establishing closer links between global issues and their regional characteristics and implications. The Committee, for example, had agreed on the need to bring out those links in the area of trade and trading arrangements. The Committee had also agreed that the implementation of global commitments required a regional approach and the role of the regional commissions in strengthening coordination at the regional level needed to be further pursued. The Executive Secretaries were also satisfied with the ongoing cooperation between the commissions and members of the Committee, particularly DESA and UNCTAD. Cooperation between UNDP and the commissions had shown improvement in some areas; however, the Executive Secretaries agreed on the need to involve UNDP more actively in the work of the Executive Committee on Economic and Social Affairs and in the regional coordination meetings, so as to ensure improved coordination of regional programmes and activities, as well as in the preparation of Human Development Reports.

181. Among the development issues discussed, the Executive Secretaries noted the critical importance of the timely and successful conclusion of the Doha Development Agenda. They reviewed the active role played by the regional commissions, in cooperation with UNCTAD and WTO, in extending technical assistance to developing countries to help them prepare for the complexities of the multilateral trade negotiations. In this connection, the Economic and Social Council endorsed the recommendation of the Executive Secretaries that the topic for the regional cooperation item at its substantive session of 2003 should be: "Development dimensions of trade negotiations: a regional perspective". The Executive Secretaries also exchanged views on the status of cooperation between the commissions and subregional organizations and integration groupings in their respective regions. They noted the many instances in which regional trading arrangements were gaining momentum. The two projects jointly submitted by the commissions for funding by the Development Account under the fourth tranche, on (a) capacity-building in trade and environment and (b) interregional partnership for promoting trade as an engine of growth through knowledge management and information and communication technology, should, in the view of the Executive Secretaries, further strengthen interregional cooperation, as well as cooperation among the commissions.

Notes

[1] The Council's attention is also drawn to the report of the Secretary-General on the role of the Economic and Social Council in the integrated and coordinated implementation of the outcomes of and follow-up to major United Nations conferences and summits (E/2003/67).

[2] An international collaborative research group for econometric modelling, coordinated jointly by the Development Policy Analyses Division of the United Nations Secretariat and the University of Toronto.

[3] Ministerial Declaration adopted by the Fourth WTO Ministerial Conference, Doha, 9-14 November 2001, para. 2.

[4] Ibid., para. 3.

[5] See ECLAC, *Latin America and the Caribbean in the World Economy, 2001-2002* (LC/G.2189-P/1). According to the Government of Brazil, the full presentation of one case to the Dispute Settlement Body costs between 500,000 and one million dollars, without computing public officials' salaries.

[6] ***WTO status of non-members as of April 2003*: ECE: Observer status** — Andorra, Azerbaijan,* Belarus, Bosnia and Herzegovina, Kazakhstan,* Russian Federation,* Serbia and Montenegro, Tajikistan,* Ukraine, Uzbekistan;* **No status** — Monaco, San Marino, Turkmenistan;* **ESCAP: Observer status** — Azerbaijan,* Bhutan, Cambodia, Kazakhstan,* Lao People's Democratic Republic, Nepal, Russian Federation,* Samoa, Tajikistan,* Tonga, Uzbekistan,* Vanuatu, Viet Nam; **No status** — Afghanistan, Democratic People's Republic of Korea, Federated States of Micronesia, Iran (Islamic Republic of), Kiribati, Nauru, Republic of the Marshall Islands, Republic of Palau, Timor-Leste, Turkmenistan,* Tuvalu; **ECLAC: Observer status** — Bahamas; **ECA: Observer status** — Algeria, Cape Verde, Equatorial Guinea, Ethiopia, Sao Tome and Principe, Seychelles, Sudan; **No status** — Comoros, Eritrea, Liberia, Libyan Arab Jamahiriya, Somalia; **ESCWA: Observer status** — Lebanon, Saudi Arabia, Yemen; **No status** — Iraq, Palestine, Syrian Arab Republic.

* Enjoys dual membership of ECE and ESCAP.

[7] For a detailed exposé, see *WTO Accessions and Development Policies*, UNCTAD, New York and Geneva, 2001.

[8] Ibid., p. 37 (the accession of Vanuatu to WTO: lessons for the multilateral trading system).

[9] Ibid., p. 53 (some issues involved in WTO accession).

[10] Though there could be exceptions in some subregions. For instance, in the case of sub-Saharan Africa the share of intraregional trade in global trade is declining.

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Regional cooperation

Regional cooperation in the economic, social and related fields

Report of the Secretary-General

Addendum

Matters calling for action by the Economic and Social Council or brought to its attention

Summary

The present addendum to the report of the Secretary-General on regional cooperation in the economic, social and related fields contains resolutions and decisions adopted at the sessions of the regional commissions in the first half of 2003, when four of the five regional commissions held their regular sessions: the Economic Commission for Europe held its fifty-eighth session in Geneva from 4 to 6 March; the Economic Commission for Africa held its thirty-sixth session/second session of the Conference of African Ministers of Finance, Planning and Economic Development in Addis Ababa on 1 June; and the Economic and Social Commission for Western Asia held its twenty-second session in Beirut from 14 to 17 April. The Economic and Social Commission for Asia and the Pacific was scheduled to hold its fifty-ninth session in Bangkok from 24 to 30 April but, in view of the inauspicious regional situation resulting from the outbreak of severe acute respiratory syndrome (SARS), it was decided that the session would be held in two phases. The first phase was held from 24 to 25 April and the second, which will include a ministerial segment, will be held at an appropriate date to be determined in consultation with the Commission's member States. Resolutions or decisions emanating from the review of

* E/2003/100.

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substantive issues to be discussed at the second regular phase of the session will be submitted to the resumed session of the Economic and Social Council for its action or attention. The Economic Commission for Latin America and the Caribbean, which meets biennially, will not hold a session in 2003.

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I. Matters calling for action by the Council

A. Economic and Social Commission for Asia and the Pacific

1. At the first phase of its fifty-ninth session, the Economic and Social Commission for Asia and the Pacific (ESCAP) approved the following draft resolution and decision for adoption by the Council:

Draft resolution I
Admission of Timor-Leste as a full member of the Commission: amendment of the terms of reference of the Commission

The Economic and Social Council,

Noting that Timor-Leste became a Member of the United Nations on 27 September 2002,

Also noting that, in accordance with paragraph 3 of the terms of reference of the Economic and Social Commission for Asia and the Pacific, Timor-Leste shall thereupon be admitted as a member of the Commission,

Decides to amend paragraphs 2 and 3 of the terms of reference of the Commission accordingly.

Draft decision I
Venue of the sixtieth session of the Commission

The Economic and Social Council,

Considering the recommendation of the Economic and Social Commission for Asia and the Pacific to accept the invitation of the Government of China to host the sixtieth session of the Commission,

1. *Expresses its gratitude* to the Government of China for its generous offer;

2. *Approves* the holding of the sixtieth session of the Commission in Shanghai, China, during April 2004.

B. Economic and Social Commission for Western Asia

2. At its twenty-second session, the Economic and Social Commission for Western Asia (ESCWA) approved the following draft resolutions for adoption by the Council:

Draft resolution I
Consideration of the establishment within the Economic and Social Commission for Western Asia of a United Nations Arabic language centre

The Economic and Social Council,

Referring to General Assembly resolution 54/248 of 23 December 1999 concerning the pattern of conferences,

Referring also to the requests and suggestions put forward to the Secretariat of the United Nations by the delegations of Arab States Members of the United Nations

concerning Arabic language services and, in particular, to the proposal of the delegation of Egypt that is set forth in annex II to the Report of the Committee on Conferences[1] and the letter dated 31 July 2001 from the Permanent Representative of Qatar to the United Nations addressed to the Secretary-General, written in his capacity as Chairman of the Arab Group for the month of July 2001, concerning multilingualism,[2]

Recognizing the importance of the coordinating role that could be played by the Economic and Social Commission for Western Asia, given that it is located in the Arab region, with respect to strengthening Arabic language services in the United Nations system in close cooperation with United Nations Headquarters Arabic translation and editorial services and benefiting from the high level of expertise in the region,

1. *Calls upon* the secretariat of the Economic and Social Commission for Western Asia to consider the establishment of a United Nations Arabic language centre, based at the Commission, of which the objective, in cooperation with the Secretariat of the United Nations, and taking into consideration the requisite technical, financial and administrative needs, shall be to raise the technical and linguistic level of the Arabic terminology used in United Nations documents, in order to facilitate the use of the Arabic language in such documents;

2. *Also calls upon* the secretariat of the Commission, in cooperation with the Secretariat of the United Nations, to undertake the establishment of a committee responsible for determining the competences of the aforementioned centre;

3. *Requests* the Executive Secretary of the Economic and Social Commission for Western Asia to follow up implementation of this resolution and to submit a report on the progress achieved in that regard to the Commission at its twenty-third session.

Draft resolution II
The establishment within the Economic and Social Commission for Western Asia of a committee on women

The Economic and Social Council,

Aware of the importance of action relating to the empowerment of women and the improvement of their status, and of making available equal opportunities for their empowerment and increased participation at all levels of the development process,

Aware also of the importance of coordination with regard to the empowerment of women and of respect for the particularities, customs and culture of each Arab country in order to harmonize Arab positions at global conferences and in the follow-up to global conferences organized by the United Nations, with a view to incorporating the regional dimension in international documents,

Affirming the importance of the involvement of the interested parties in member countries of the Commission in the planning, development and follow-up to

[1] A/49/32/Rev.1.
[2] A/56/261.

implementation of secretariat programmes relating to the empowerment of women and of mainstreaming the gender perspective in activities and policies,

Guided by the action taken by the other United Nations regional commissions that have established special committees on women,

Taking into consideration the recommendation made by the Committee on Social Development[3] of the Commission at its fourth session, held in Beirut from 3 to 5 July 2002, concerning the establishment within the Commission of a committee on women,

1. *Decides* to establish within the Economic and Social Commission for Western Asia a committee on women comprising representatives of member countries who are specialists in women's issues, to be responsible for the following:

(a) Identifying the women-related priorities of the programmes of work and medium-term plans of the Commission;

(b) Monitoring developments with respect to the status of women and evaluating indicators and statistics with a view to formulating an integrated policy for the advancement and empowerment of women;

(c) Monitoring the progress made in women-related activities of the Commission secretariat;

(d) Following up global and regional conferences and the participation of member countries therein and coordinating the endeavours of member countries and regional organizations with regard to implementation of the resolutions and recommendations adopted at such conferences;

(e) Coordinating action at the regional level towards the adoption of unified positions on the issue at international gatherings and in follow-up to the performance by member countries of the undertakings to which they made a commitment in human rights instruments concerning women;

(f) Preparing and implementing field projects for the advancement and empowerment of women in member countries of the Commission and finding the necessary funding for such projects;

(g) According the requisite importance to women in the regions, in which wars and conflicts are prevalent, and in particular to Palestinian women, who are suffering in the conditions in which the Palestinian people is living under continuing Israeli occupation;

2. *Also decides* that the Committee on Women shall hold its sessions biennially, with effect from 2004, and that an inaugural session should be held before the end of 2003;

3. *Requests* the Executive Secretary of the Commission to establish a women's centre within the secretariat of the Commission with responsibility for acting as the secretariat of the Committee on Women;

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[3] See *Report on the Fourth Session of the Committee on Social Development* (E/ESCWA/SD/2002/IG.1/9).

4. *Also requests* the Executive Secretary to follow up implementation of this resolution and to submit a report on the matter to the Commission at its twenty-third session.

II. Matters brought to the attention of the Council

Economic Commission for Africa

3. At its thirty-sixth session, the Economic Commission for Africa (ECA)/Conference of African Ministers of Finance, Planning and Economic Development issued a Ministerial Statement which emphasized the need for (a) mutual accountability, policy coherence and development effectiveness; (b) making the International Monetary Fund (IMF) work better for Africa; and (c) overcoming the macroeconomic challenges of HIV/AIDS and thereby contributing to meeting the Millennium Development Goals. The Conference of African Ministers also adopted a resolution on the proposed work programme of ECA for the biennium 2004-2005.

Ministerial statement

4. Key issues raised in the ministerial statement are summarized below.

5. On *aid and development effectiveness*, the Ministers recognized that if current trends continued, Africa would not meet the Millennium Development Goals. Reversing the trend would require a new and energized relationship between Africa and its partners, based on trust and a shared responsibility for development effectiveness. The Ministers welcomed the accession by 15 African countries to the African peer review mechanism envisaged under the New Partnership for Africa's Development (NEPAD) and urged those countries to move forward with peer review, as well as urging others to sign up. They welcomed progress on aid quality and official development assistance (ODA) commitments, but warned that the level of aid flows to Africa remained a major concern and needed to be further increased. They also welcomed the proposed International Finance Facility as the first of its kind, designed to mobilize additional resources for the poorest countries to meet the Millennium Development Goals; urged Africa's partners to ensure that all policies impacting on African development, including those in the areas of ODA, trade, market access and agriculture, were consistent with the Millennium Development Goals, and recommended that Africa's partners adopt domestic policy measures that would increase foreign direct investment flows to Africa.

6. On *trade*, the Ministers expressed their deep concern at the negative impact of the Organisation for Economic Cooperation and Development (OECD) agricultural subsidies on the African agriculture sector and called for action by OECD countries to ensure that the poorest countries benefit quickly from trade liberalization by providing immediate duty-free and quota-free market access, removing non-tariff barriers and developing an appropriate price stabilization mechanism. They warned that negotiations on the key elements of the Doha Development Round had achieved little, with key deadlines for market access for agricultural products, TRIPS and public health, and special and differential treatment missed. They urged Africa's development partners to respond positively to African proposals in order to make

the World Trade Organization Ministerial Meeting to be held in Cancun in September 2003 a success.

7. On *debt*, the Ministers warned that the enhanced Highly Indebted Poor Countries (HIPC) initiative was not delivering long-term debt sustainability and called for the rapid establishment of a legal technical assistance facility to help those countries deal with creditor litigation. They recognized that domestic debt in many African countries required urgent attention because it reduced fiscal flexibility, raised domestic interest rates and crowded out investment; and endorsed the ECA plan to convene an African expert group meeting on debt relief in September 2003, to be followed by an international conference on African debt early in 2004 to meet the challenge of defining the policies, instruments and initiatives that could constitute the next step in the international community's efforts to reduce Africa's debt burden.

8. On the *role of IMF*, the Ministers recommended that IMF assist African countries in developing a menu of policy options, impose fewer structural conditions and provide for "floating tranches" or outcomes-based conditions, where appropriate. They urged the Bretton Woods institutions, bilateral partners and the African Development Bank to avoid cross-conditionalities that impeded African access to much-needed resources. They recommended that, to provide greater fiscal flexibility, IMF should also analyse the linkages, trade-offs and policy choices required to attain the Millennium Development Goals, as a basis for discussions with development partners on mobilizing the additional resources required for progress towards achieving the Millennium Development Goals. They proposed that evaluating exogenous shocks — commodity price volatility, natural disasters and aid shortfalls — should be a standard feature of IMF discussions with member States, and that access to concessional lending should be extended to countries suffering from exceptional exogenous shocks such as terrorist attacks and the onslaught of new communicable diseases.

9. On *HIV/AIDS*, the Ministers projected that the HIV/AIDS epidemic would cut approximately 1 per cent from gross domestic product growth rates, significantly diminishing the prospects of realizing the economic expansion necessary to reduce poverty. They underscored the crucial leadership role of ministers of finance, planning and economic development in mobilizing sufficient resources to confront the disease and in identifying strategies to mitigate the adverse socio-economic impacts of the epidemic. They stressed that additional resources were urgently needed to support Africa's efforts to confront HIV/AIDS; and urged the Bretton Woods institutions to consider revising the eligibility criteria for assistance to middle-income countries afflicted by the AIDS epidemic and to find ways of ensuring that countries could expand expenditure on health and social welfare without violating conditionalities that imposed limits on public spending.

Programme of work and priorities for the biennium 2004-2005

10. The Conference of Ministers also adopted a resolution on the programme of work and priorities of ECA for the biennium 2004-2005 in which it expressed its support of the proposed ECA work programme. The Conference of Ministers noted that the new programme structure of ECA had been endorsed by the Conference of Ministers and the Economic and Social Council in 2002 and was characterized by congruence between organizational and programme structures, reduction in the

number of subprogrammes and the clustering of closely related activities under a single subprogramme to foster synergy and achieve greater efficiency and impact in the delivery of services. The Conference of Ministers was convinced that the proposed new organizational units, namely, the Trade and Regional Integration Division, the Office of Policy and Programme Coordination and the Human Resources Management and Finance Division, as well as the renaming of the Development Management Division as the Development Policy Management Division would demonstrate the Commission's commitment to improving the management of its programmes and the delivery of its substantive activities. It called on the Committee for Programme and Coordination and the General Assembly to support the proposed organizational and programme structures of the programme budget of ECA for the biennium 2004-2005 and to ensure that adequate resources were made available to the Commission for the implementation of that work programme.

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Summary of the economic survey of Europe, 2002

Summary

Global economic developments in 2002 were disappointing. Hopes for the beginning of a sustained recovery from the recession of 2001 were frustrated. The dynamics and sustainability of world output growth continued to be strongly dependent on economic developments in the United States of America. But cyclical growth forces strengthened only temporarily in the United States in 2002, despite the expansionary orientation of fiscal and monetary policy. In Western Europe, economic growth was quite sluggish in 2002. In Eastern Europe and the Commonwealth of Independent States, the rate of economic expansion weakened somewhat, but the overall tendency was for relatively robust growth, largely a reflection of the resilience of domestic demand.

The short-term outlook for the Economic Commission for Europe region is for a moderate strengthening of growth forces in late 2003, leading to a more pronounced cyclical recovery in 2004. The United States is expected to lead the recovery and this should stimulate economic activity in Western and Eastern Europe, the Commonwealth of Independent States and in other regions of the global economy. But the overall economic outlook remains dominated by downside risks, despite the rapid ending of the conflict in Iraq.[1] The gradual reduction of the United States huge current account deficit and an orderly depreciation of the dollar remain a major challenge. The persistent economic weakness in the first months of 2003 points to the need for a continued accommodative policy stance in the United States and the need for a greater reliance on domestic sources of growth in Japan and Western Europe. This requires, notably, a more expansionary orientation of economic policy in the euro area.

* E/2003/100.

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I. The ECE economies in 2002

A. Western Europe and North America

1. Global economic developments were disappointing in 2002. The consensus of forecasters is now for a recovery to start in the second half of 2003 and to gain further momentum in 2004. The short-run outlook for the world economy, however, remains dominated by significant downside risks (see below). Large margins of spare capacity in the global economy and the fact that inflation has fallen to very low rates in the industrialized countries have, moreover, raised concerns, at least in some countries, about the risks of deflation. Global economic activity in early 2002 received some support from the bottoming out of the sharp decline in the information and communication technologies (ICT) industry and related activities, which had been an important driving force behind the cyclical upswing in the second half of the 1990s. But the upturn in ICT did not survive the second half of the year. Oil prices rose markedly towards the end of 2002, largely reflecting mounting geopolitical tensions.

2. The dynamics and sustainability of world output growth continued to be strongly dependent on economic developments in the United States of America. Economic activity in Japan and Western Europe, both potential engines of growth for the world economy, remained disappointingly sluggish, partly because of self-imposed constraints on more growth-supporting macroeconomic policies. In contrast, growth in Eastern Europe and the CIS remained quite resilient to the deteriorating international economic environment (table 1).

3. The long economic boom in the Unites States petered out into a mild recession in 2001. But the fact that the downturn was short and mild also meant that the severe imbalances accumulated during the boom years were not corrected. These restrained growth in 2002 and are likely to continue to do so in 2003. In fact, the possibility of a disorderly unwinding of these imbalances remains a major downside risk for the outlook.

4. It is important to recall the special features which distinguish the present business cycle from previous post-war cycles. Typically, the boom phase reflects the rapid growth of demand in excess of trend output growth, which leads to inflationary overheating and, subsequently, to a tightening of monetary policy that aims to bring actual output in line with potential output, often with a consequential recession. But the cyclical developments in the 1990s are more the reflection of the interaction of both supply and demand side elements, in which major roles were played by technological innovations, a credit boom and "irrational exuberance", the combination of which led to massive overinvestment and a stock market bubble. At the same time there was an accumulation of high levels of debt in the private sector, and a rising current account deficit that led to a surge in foreign debt. All this took place in the presence of relatively benign inflationary pressures.[2]

5. This confluence of factors, especially the emergence of large margins of excess capacity combined with the accumulation of considerable financial imbalances, implies that a rapid and sustained rebound of the United States economy from the mild recession of 2001 was bound to be unlikely, even without taking into account the weak state of the rest of the world economy. But such a rebound was not in any case very desirable, as a renewed upswing led by the United States would only postpone the necessary correction of the existing financial imbalances with the

concomitant risk of a disruptive outflow of foreign capital and a more severe cyclical downturn later on.[3] Moreover, it became clear in 2002 that the responsiveness of business investment to reductions in interest rates is reduced, given the focus on debt consolidation and the need to work off excess capacities.

6. Economic growth in the industrialized countries in 2002 was also restrained by the impact of weakening consumer and business confidence on private sector spending. This reflected not only the increasing likelihood of a military conflict in Iraq, but also the general deterioration in the short-run economic outlook and its adverse implications for sales and profits, as well as for employment. This also contributed to the continuing slide in international share prices, which was accentuated by the uncertainty, caused by financial and accounting scandals, about the underlying strength of the corporate sector. Defaults on international corporate debt rose to record levels in 2002. Lower share prices, in turn, had a negative impact on household wealth and raised the financing costs of companies, both of which helped to weaken private sector spending on consumer and capital goods. The "flight to safety" of international investors led to a surge in demand for government bonds, with long-term yields falling to very low levels.

7. As a result of the recent failures of corporate governance in the United States and, to a lesser extent, in Western Europe, corporate governance reform is firmly on the policy agenda in the ECE region (chap. 4). In 2002, reforms were initiated in the United States aimed at improving the quality of the auditing process, strengthening oversight by boards of directors, enhancing the transparency of financial markets and dealing with conflicts of interest in the financial services industry. Within the European Union (EU), reforms are still at a preparatory stage but appear to be going in a similar direction.[4] Both within the EU and between the EU and the United States, there is a need for further measures to prevent differences in corporate governance from distorting or impeding cross-border economic activity.

8. Despite this background, real gross domestic product (GDP) in the United States rose by 2.4 per cent in 2002, up from 0.3 per cent in 2001. But this robust performance for the year as a whole masks a slowdown to near stagnation in the final quarter. Private consumption was the mainstay of economic growth in 2002 but household spending was greatly influenced by temporary factors such as the generous financing schemes for the purchase of motor cars. Government spending also continued to be an important support to domestic activity. In contrast, business capital spending fell for the second consecutive year and the deterioration in real net exports was an important drag on the overall rate of economic growth. The underlying economic weakness combined with the expansionary stance of fiscal policy and a very accommodative monetary policy led to a considerable deterioration in the general government financial balance and a further rise in the already large current account deficit. In the foreign exchange markets, the dollar depreciated, a tendency which gathered momentum in early 2003. On a trade-weighted basis, the dollar in January 2003 was about 8 per cent lower than 12 months earlier.

9. In Western Europe, economic growth was quite sluggish in 2002, real GDP rising on average by about 1 per cent (table 2). In the euro area, the annual rate of growth was even lower at about 0.8 per cent. This reflected in the main a combination of weak private consumption and investment. Cyclical factors were largely responsible for the overshooting of the fiscal targets established in the

stability programmes of the individual member States of the euro area but, overall, the stance of fiscal policy was broadly neutral in 2002. There was renewed controversy about the Stability and Growth Pact and the target date for achieving balanced budgets was postponed from 2004 to 2006. There have also been proposals by the Commission for amending the interpretation of the Pact. Despite deteriorating growth prospects, monetary policy was on hold for most of 2002; it was only in December 2002 that the European Central Bank (ECB) lowered its key interest rate, the first reduction since 6 November 2001.

B. Eastern Europe and the CIS

10. Despite some slowing down of activity in Eastern Europe and the CIS in 2002, rates of economic growth in these regions remained generally higher than those in Western Europe. The slowdown was more pronounced in some of the CIS countries, particularly in the two largest economies, Russia and Ukraine, which pulled down the rate of growth of GDP for the region as a whole. Nevertheless, aggregate GDP in the CIS grew by 4.8 per cent in 2002 due to the still significant momentum from the previous year of rapid growth and a continuing boom in some of the Caucasian and central Asian countries (table 3 and chart). The growth of aggregate GDP in Eastern Europe was considerably lower (3 per cent) and was basically unchanged from the previous year. Growth patterns varied in different parts of the region: Central Europe continued to be the slowest growing subregion (weighed down by the sluggish Polish economy), while South-Eastern Europe and, especially, the Baltic States performed considerably better than the average.

11. These outcomes are largely a reflection of the general development of the global economy. Some Central European countries, where strong growth in previous years had been largely export led, were badly affected by the weakness of their most important West European markets. In turn, the commodity exporting CIS countries were hit by the weaker growth of external demand and, during much of 2001 and 2002, by weak world market prices. In addition, some CIS countries were hurt by the slowdown in the Russian economy, which was no longer the strong engine of growth for its neighbours that it had been in the previous two years.

12. Despite the unfavourable external environment, economic activity in Eastern Europe and the CIS nevertheless remained fairly buoyant in 2002 and the area as a whole was still among the fastest growing regions in the world. Among other things, this reflected an important change that had emerged already in 2001 but which became dominant in 2002, namely, a shift from external to domestic sources of growth. Although the available data still prevent a detailed assessment of the year as a whole, the preliminary statistics for some of the major East European and CIS economies point to the enduring strength of domestic demand as the main factor that prevented a further weakening of output growth in this part of the ECE region.

13. Such a pattern of growth, however, is a mixed blessing for the Eastern European and CIS economies. The resilience of domestic demand is a sign of confidence in the future prospects of these economies on the part of both consumers and investors. It also reflects the considerable progress that some of these countries have made in their market reforms, as evidenced by the invitation to eight Eastern European countries to join the European Union in 2004. But also in some of the CIS economies, which are generally lagging behind Eastern Europe in systemic reforms,

several years of strong growth have contributed to rising incomes and levels of welfare of the population, which, in turn, have reinforced domestic support for economic activity.

14. However, reliance on domestic demand as the main engine of growth is unlikely to be sustainable since most of the region consists of small, open economies. With few exceptions, most Eastern European and CIS economies are characterized by chronic and large current account deficits, accompanied in some cases by fiscal imbalances (the twin deficit problem); an excessive shift towards domestically driven growth is clearly not an appropriate strategy for keeping these deficits in check. Moreover, with privatization nearing completion, privatization-related foreign direct investment (which has been among the principal sources of financing of current account deficits in recent years) is set to end in the not too distant future. Another related source of concern is the recent shift towards active demand management in some Central European economies, which has contributed to their rising fiscal deficits.

15. Obviously, the policy response to the existing macroeconomic imbalances should depend on their underlying causes. In countries where there is a large structural fiscal deficit, a major change in policy is called for. Long-term fiscal sustainability in the Central European economies requires the acceleration of key structural reforms, particularly of the social security and tax systems. At the same time, greater prudence in demand management in such cases is also needed in the short run, as the room for manoeuvre is rather limited. Nevertheless, when the underlying structural fiscal deficit is small and manageable (indicating that fiscal restraint has been pursued over the medium term), Governments have more room to support domestic demand in the short run.

16. Although net exports did not generally make a positive contribution to GDP growth in 2002, one of the surprising developments during the year was the strength of Eastern European exports in the face of the persistent weakness of economic activity in Western Europe: on average they grew faster than both Western import demand and total world exports. Moreover, this was the second consecutive year of such relative strength, a consequence of which was a large increase in the Eastern European share of Western European markets, despite the weakness of import demand.

17. While it is still too early to draw any definite conclusions, several factors may have contributed to this outcome. First, since the start of economic transformation more than a decade ago, a number of Eastern European economies have had massive inflows of foreign direct investment, a large part of which has been from large, export-oriented multinational companies. Thus, this period has seen a considerable expansion of new production and export capacities, a process that is still under way. These new capacities exploit the comparative advantages of these economies in low-cost labour (particularly, low-cost skilled labour), as well as their proximity to the major markets of Western Europe. This comparative advantage can allow the rapid growth of particular export products even when aggregate external demand is generally weak or stagnant. It appears to have been one of the factors that allowed Eastern European exporters to continue to gain export market share in 2002, despite the weakness of Western demand and, in some cases, some deterioration in their cost competitiveness (as measured by the real effective exchange rate).

18. Eastern Europe's comparative advantage may have been amplified by the general squeeze on profit margins, which has made multinational companies even more sensitive to their production costs. To trim their global costs in response to the slump in global demand, multinationals tend to accelerate the relocation of part of their global production volumes to lower-cost countries. Eastern European economies may have benefited from such intra-company relocation of production in this period.[5] At the same time, Eastern Europe is under pressure from countries offering even more competitive conditions for cost-saving or located nearer to other major markets, as suggested by the recent relocation of some production lines to South-East Asia.

19. The comparative advantage of Eastern European exports is not static and, as development and income levels in Eastern Europe start to catch up with those in the industrialized countries, new sources of international competitiveness will have to be developed via the accumulation of physical and human capital.

20. The macroeconomic environment in 2002 was generally supportive of disinflation in Eastern Europe and the CIS, and most of these economies made further progress towards price stability or lower rates of inflation. Nowadays, inflation in the majority of these countries, while generally higher than that in the more developed market economies, mostly reflects transition-specific developments and cannot be attributed to loose macroeconomic policy. Thus, in 2002, the main sources of inflationary pressures in the region were the rising prices of services which, as discussed in chapter 3.3, can be regarded as a normal feature of the development process in these economies, as well as increases in some administered prices. During most of the year, the prices of tradable goods, however, tended to offset these domestic inflationary pressures: imported inflation was almost non-existent due to weak world market prices for basic commodities and manufactures (and, in some Eastern European economies, appreciating exchange rates), while good harvests in many countries eased the domestic price of food.

21. Labour markets in most of Eastern Europe and the CIS continue to suffer from chronic structural imbalances. While there were some positive developments in 2002 they were confined to just a few countries: unemployment, as measured by labour force surveys, declined in the three largest CIS economies (Kazakhstan, Russia and Ukraine) as well as in all the Baltic States. At the same time, unemployment remains worryingly high in South-Eastern Europe and has continued to increase in other countries, in some cases (such as Poland) to record levels.

22. Against the overall trends in domestic and external demand in 2002, as well as changes in the terms of trade, the aggregate current account balances of Eastern Europe and the CIS deteriorated, although there were considerable differences among countries. While in several Eastern European countries (Croatia, the Czech Republic, Estonia, Hungary and Yugoslavia, among others) there was a substantial widening of their current account deficits, in others there were improvements (Bulgaria, Romania and Slovenia). Within the CIS, current account surplus of Russia shrank, but was still much larger than had been expected at the beginning of the year. The situation with financing also varied: in general, Eastern European countries had few problems in financing their current account deficits (even when they increased); but some CIS countries continued to face balance of payments constraints due to their limited access to external finance.

23. Despite the generally unfavourable external environment, net capital flows into Eastern Europe generally rose in 2002, largely due to changes in international investors' perception of relative risk in emerging markets. The upturn reflects changes in two main flows: larger volumes of FDI, and a surge in short-term capital flows, which, in net terms, changed direction from 2001. As noted earlier, however, privatization, which has been a major attraction for FDI in Eastern Europe in recent years and an important source of financing of current account deficits, is nearing its end in most of these countries. The elimination of this convenient source of financing implies the need for alternatives or for an adjustment in the external balances of some countries.

II. The prospects for 2003

A. Western Europe and North America

24. Uncertainty surrounding the short-term economic outlook is amplified by the increasing possibility of a war with Iraq. This has already contributed to the weakening of consumer and business confidence and has fostered a wait-and-see attitude with regard to big spending items. The available baseline forecasts, which assume that there will be no military conflict, however, suggest only a moderate strengthening of growth in the global economy in the course of 2003. The cyclical recovery is seen as likely to gather momentum in 2004.

25. The United States is again seen as leading the global recovery, given the prolonged weakness of domestic demand in Western Europe and Japan. Expectations are for a limited cyclical upturn in the United States in the first half of 2003, which should gather momentum in the second half of the year. The associated strengthening of domestic demand in the United States would then stimulate — directly or indirectly via changes in real net exports — economic activity in the rest of the world, including Eastern and Western Europe and the CIS.

26. One of the key assumptions behind this benign outlook is that oil prices will average around $24 to $26 per barrel in 2003, broadly unchanged from 2002.[6] This compares with an actual level of about $31 in January 2003. Also, little change is expected for non-oil commodity prices in 2003 as compared with 2002. Other key assumptions are a return to stability in the financial markets, especially equity markets. In the foreign exchange markets, it is assumed that the dollar will trade close to parity against the euro and at some 120 yen in 2003.

27. Forecasts of economic growth in the United States in 2003 have been relatively stable since the late summer of 2002, real GDP being expected to increase by about 2.5 per cent (table 1). As already mentioned, this outcome is based on the assumption of a faster rate of economic expansion in the second half of the year, driven by strengthening private consumption and a recovery of business fixed investment. Changes in inventories are also forecast to support economic activity. The growth of consumer demand, however, will be restrained by the need of households to increase savings in the face of their high debt servicing burdens, the considerable loss of financial wealth stemming from the plunge in share prices and concerns about the problems facing pension funds. The scope for higher business capital spending will also be circumscribed by the need to reduce corporate debt. Exports should be supported by the gains in price competitiveness stemming from

the depreciation of the dollar in 2002 and the expected upturn of economic activity in other regions of the world. Changes in real net exports are expected to be less of a drag on economic growth in 2003 than in 2002. The current account deficit is forecast to reach some 5¼ per cent of GDP, reflecting, inter alia, the differential strength of domestic demand in the United States and the rest of the world.

28. Monetary policy in the United States will continue to be expansionary and, given the continued economic sluggishness in the early months of 2003, a further lowering of interest rates can be expected. Pending adoption of the new tax package, the fiscal stimulus is likely to be more moderate in 2003, reflecting also the restraints on state and local government expenditure.

29. In Western Europe, forecasts of economic growth in 2003 have been generally lowered since the autumn of 2002. Real GDP in the euro area is now forecast to increase by somewhat less than 1.5 per cent in 2003, up from 0.8 per cent in 2002 (table 2). In the late summer of 2002, the forecasts were still for an annual increase of real GDP by 2¼ per cent in 2003, which was already down from the nearly 3 per cent expected in the spring of 2002.[7] The modest growth rate for 2003 is pulled down by the continued sluggishness of the German economy, where real GDP is forecast to increase by less than 1 per cent for the third consecutive year. But growth will also be weak in France and Italy and many of the smaller economies.

30. The basis for this moderate strengthening of growth in 2003 is a stimulus to export demand — originating in the United States — which is seen as triggering a virtuous circle of rising activity, increasing confidence and higher levels of spending by businesses and households. In this scenario, exports are the most dynamic component of final demand, reflecting a stronger cyclical momentum in the global economy in the second half of the year. But the overall stimulus to economic activity is still relatively modest, as is reflected in the modest acceleration expected in the growth of total domestic demand. This increase of domestic demand, moreover, is accompanied by rising imports, while export growth is likely to be restrained by the appreciation of the euro. Changes in real net exports are therefore likely to be broadly neutral in their impact on overall economic activity in 2003. Output growth will remain below trend, leading to a further increase in the output gap. Against this background, inflation is expected to fall below the 2 per cent ceiling of the ECB target range in 2003 but unemployment can be expected to increase.

31. Monetary policy in the euro area shifted to a more accommodative stance in early December 2002, but the real appreciation of the euro has effectively led to a tightening of monetary conditions, offsetting the impulse from lower real interest rates. The appreciation of the euro, moreover, will tend to reduce imported inflationary pressures and this, in combination with the expected sluggishness of economic activity in early 2003, should enable the ECB to reduce interest rates again. Fiscal policy is faced with deteriorating total and structural government financial balances and the constraints on active policies imposed by the Stability and Growth Pact. On average, fiscal policy will not be supporting economic activity in the euro area in 2003, given, inter alia, the significant budgetary consolidation required in Germany to lower its budget deficit to below the 3 per cent threshold.

32. Outside the euro area, real GDP in the United Kingdom is forecast to grow by some 2.4 per cent in 2003, up from 1.6 per cent in 2002. There are major uncertainties, however, related to the future development of house prices and the related strength of private consumption expenditures. Low interest rates will

continue to support domestic demand. The orientation of fiscal policy will be broadly neutral in 2003, following two years of strong support to economic activity.

33. In aggregate, real GDP in Western Europe is expected to increase by some 1¼ per cent in 2003, up from 1 per cent in 2002. This is not an inspiring prospect and will contribute very little to correcting the major imbalances in the global economy.

B. Eastern Europe and the CIS

34. The downside risks to the prospects for recovery in the world's major economies are compounded by the expected direct and indirect consequences of an eventual major military conflict and its possible repercussions on emerging markets. At the same time, it must be acknowledged that the Eastern European and CIS economies demonstrated surprising resilience to the global slowdown in 2001 and 2002, thanks to the strong growth of their domestic demand and, in several cases, their unexpectedly good export performance. On balance, however, the downside risks, which have been escalating steadily since the final months of 2002 and the beginning of 2003, are not fully acknowledged in the official forecasts for the year (table 3), some of which were formulated last autumn in the context of preparing the 2003 budgets.

35. Although Governments in some countries have recently lowered their forecasts (particularly in Hungary and Slovenia), the official outlook for most countries in Eastern Europe and the CIS remains fairly optimistic about growth prospects in 2003. These forecasts imply aggregate real GDP growth in Eastern Europe of close to 4 per cent in 2003 and in the CIS by almost 4½ per cent. However, growth in both these regions will be shaped to a considerable degree by the strength of output in the two largest regional economies — Poland and Russia.

36. In the course of 2002, recovery was slowly gaining momentum in Poland, especially in the second half of the year when there was a notable acceleration in the growth of both industrial output and GDP. This development prompted the Government to raise its forecast for GDP growth in 2003 from 3.1 to 3.5 per cent. This, however, is considered by many independent analysts (as well as by the Polish National Bank) as too optimistic: most private forecasters envisage GDP growth in the range of 2 to 3 per cent. GDP growth is expected to remain relatively moderate in 2003 (between 3 and 4 per cent) in all other Central European countries (the Czech Republic, Hungary, Slovakia and Slovenia).

37. The widening fiscal imbalances in some Central European economies also pose a risk to their future growth. Obviously, the present fiscal policy stance in these countries is not sustainable and Governments may soon be faced with the need to curb these imbalances (this process already started in Poland in 2002). Moreover, as discussed below, the countries acceding to the EU will need to make additional fiscal adjustment in order to comply with the EU fiscal rules. The required fiscal tightening will inevitably restrain domestic demand and hence economic activity and growth in these countries.

38. Strong growth (with GDP growing by some 5 to 5½ per cent) is expected to continue in 2003 in the three Baltic States, the fastest growing region of Eastern Europe for the past three years. Compared with the Central European economies, these countries are less affected by structural fiscal imbalances, which leaves their Governments more room to support economic activity in the short run, if so needed.

39. According to official forecasts, moderate to strong growth is expected to continue in all the South-Eastern European economies in 2003, with GDP increasing in most cases by some 4 to 5 per cent (and even more in Albania). However, the economic situation in individual countries differs considerably. After several years of steady recovery underpinned by prudent policies, the Bulgarian economy seems set to continue on its present course in 2003. Since 2001, the Romanian economy has broadly followed a similar path but the sustainability of high GDP growth in 2003 is questionable. While GDP growth in Croatia was relatively robust in 2002, its economy is plagued by a chronic twin deficit problem that has not been adequately addressed by policy so far; this may reduce the scope for policy to react to any eventual deterioration in the external environment. The major economic reforms which are still under way in Yugoslavia are likely to continue to have a dampening effect on its economic performance, which raises doubts as to the Government's GDP growth forecast for 2003. A moderate recovery is expected to continue in Bosnia and Herzegovina, while in Albania the attempt to return to higher rates of growth in 2003 may prove to be difficult. The post-conflict recovery in The former Yugoslav Republic of Macedonia has proceeded more slowly than expected and only a modest recovery in GDP (by some 2 to 3 per cent) is projected for 2003.

40. The Russian budget for 2003 was based on a set of macroeconomic projections whereby, under different assumptions about the external environment (in the first place, the price of crude oil), the rate of GDP growth was expected to be in a range of between 3.5 and 4.4 per cent. The most recent forecasts by private analysts are even more optimistic, suggesting GDP growth of between 4 and 5 per cent. However, recent developments do not point in the same direction. Thus, while world oil prices surged to a two-year high in the early months of 2003 (a development which will benefit both Russian exporters and the economy at large), the significant weakening of the dollar (in which oil is priced) against other major currencies is likely to be detrimental. While the policy of moderate real exchange rate appreciation has facilitated the recent disinflation in Russia, it is also likely to have contributed to the slowdown in industrial output in the last quarter of 2002.[5] These somewhat conflicting trends indicate the uncertainties that surround the short-term outlook for the Russian economy.

41. The recovery in Ukraine also lost some momentum in 2002 and GDP growth is expected to remain moderate (at some 4 per cent) in 2003. Apart from the weakening demand for Ukrainian exports in both Russia and western markets, this reflects a continued tightening of monetary policy, with the central bank focusing its efforts on achieving a fast rate of disinflation. Some moderation in GDP growth is also expected in Kazakhstan but, according to official forecasts, GDP should nevertheless grow by some 6 per cent in 2003, underpinned not only by the strength of the oil-related industries but also by a continuing recovery in other sectors of the economy. Moderate to high rates of GDP growth are expected elsewhere in the CIS in 2003, with official forecasts ranging between 4 and 7 per cent (table 3).

C. Risks and uncertainties

42. The short-term economic outlook for the ECE region and the global economy at large remains subject to major downside risks. These are related to the factors mentioned earlier, which have been present for quite some time but which have not lost their importance. In addition, there is now the more acute risk of a military

conflict in Iraq. It is impossible to estimate with any great accuracy the economic consequences of a war in Iraq, although some idea can be provided by more or less plausible scenarios.[9] These scenarios differ with regard to the duration of the conflict (ranging from a short intervention to a more protracted conflict), the total damage caused to Iraq, and the possible extension of the conflict and instability beyond that country.

43. Consumer confidence in Western Europe fell in January 2003 to its lowest level since the end of 1996, while in the United States, it reached its lowest level since the end of 1993. In the international equity markets, prices fell to six-year lows in late January 2003. These developments, however, reflect not only the threat of war in Iraq but also the bleak outlook for jobs and profits. The open question, however, is to what extent confidence and the equity markets will continue to decline in the event of the actual outbreak of military conflict. In any case, the already low levels of confidence and share prices do not bode well for private sector spending in 2003.

44. Oil prices already incorporated a "war premium" of some $5 per barrel in the final months of 2002 and rose above $31 per barrel in January 2003. If that level is maintained throughout 2003, it would be tantamount to a considerable "oil tax", which would increase inflation and dampen the growth of real incomes and the global demand for goods and services. Simulations suggest that a temporary (one-year) increase in oil prices by $10 per barrel would, on average, reduce total economy output by a quarter of a percentage point in the industrialized countries and raise inflation by half a percentage point.[10] Given the weakness of the present conjuncture, however, the effect of such an increase on output might be much larger. Needless to say, a sustained rise in oil prices to much higher levels could push the western economies into recession. The precise circumstances in which this might happen is, of course, a matter of speculation.

45. The conflict could, however, be short and be followed by a sharp fall in oil prices, thereby boosting business and consumer confidence, as well as real disposable incomes.[11] But the adjustment problems associated with the considerable global financial imbalances mentioned above would still be present. It is therefore not clear that a swift resolution of the Iraq crisis would actually lead to a sustained recovery of economic activity in the United States and the global economy at large.

46. A major challenge remains the gradual reduction of the United States huge current account deficit and, associated with that, a gradual depreciation of the dollar. Although the dollar was weakening significantly and in an orderly fashion in 2002 and early 2003, there is still a risk of a more abrupt adjustment in international capital flows and exchange rates. This might reflect increased concerns on the part of international investors about the persistence of large external imbalances and the associated accumulation of foreign debt in combination with the re-emergence of much larger government budget deficits ("the twin deficit" problem). Any accelerated depreciation of the dollar would raise imported inflation and would eventually force a tightening of monetary policy in the United States. An unexpectedly rapid and sustained depreciation of the dollar (against the euro and the yen) would, moreover, act as brake on economic growth in the euro area, Japan and other Asian economies. Such an outcome would be likely to trigger a coordinated intervention by the major central banks.

47. Another downside risk is that the pace of balance sheet adjustments by private households and the corporate sector in the United States could be more rapid than assumed, which would depress domestic demand growth.[12] In a similar vein, a further sharp fall in equity prices (reflecting, for example, waning confidence in the recovery) would also tend to dampen business and household spending. In addition, there is the risk of a reversal of the boom in prices for residential real estate in the United States, which, if it were to occur, would amplify the loss of wealth already incurred by the plunge in share prices. (There is a similar risk for the United Kingdom.)

48. In a context of low inflation and sluggish economic activity, a collapse of equity prices, large margins of excess capacity and interest rates already at low levels, many commentators have expressed worries about the risk of sliding into a deflationary spiral, especially if central banks continue to aim at keeping inflation at excessively low levels.[13] The reason is that since official nominal interest rates cannot be reduced below zero,[14] the room for manoeuvre of monetary policy in a severe cyclical downturn may be quickly exhausted. The upshot is that in a context of low inflation and marked falls in economic activity, there is a case for a more active macroeconomic policy.

49. In the 1990s, economic forecasters and financial markets did not anticipate the sustained deflationary slump in Japan.[15] One lesson from the Japanese experience is that when interest rates and inflation rates are already close to zero, monetary policy should pay special attention to the downside risks of economic forecasts, especially the possibility of deflation. In Germany, where inflation was about 1 per cent in 2002 and economic activity was stagnating at a low level, there appears to be the potential for a deflationary development.[16]

50. The case of Japan also illustrates the point that once an economy has entered a deflationary process, it may be very costly and difficult to reverse.[17] Compared with that situation, the costs of a temporary, excessive monetary loosening would have been more limited and more easily corrected.[18] In Japan, the degree of monetary loosening proved inadequate and, with hindsight, a precautionary further loosening of monetary policy in the first half of the 1990s would have been justified. In a similar vein, model simulations suggest that a timely and moderate additional fiscal loosening might have been sufficient to maintain economic activity. Moreover, combining a monetary loosening with a fiscal stimulus is likely to have been even more effective and therefore desirable, "as it would have reduced the need to rely too heavily on each instrument individually, and thus would have moderated some of the drawbacks associated with pushing either instrument too far".[19]

51. The general lesson is that when inflation and interest rates have fallen close to zero, active policies should not be held back by fears of an excessive stimulus, which can be reversed later through the tightening of policies. Conversely, providing too little stimulus runs the risk that the economy will slide into a deflationary spiral where conventional monetary policy instruments can no longer stabilize the economy. Although there exist a variety of unconventional measures for dealing with this situation, there is no experience with their implementation or knowledge of the likely effectiveness of these instruments.[20]

52. Although the possibility of deflation still appears to be remote in most industrialized countries, the risk has probably increased and should not be ignored.

Any prospect of deflationary tendencies can certainly be countered by the timely creation of a conducive environment for a sustained economic recovery.

D. Achieving a sustained cyclical recovery

53. The European Union's economic performance was relatively good in the second half of the 1990s, with annual growth rates of real GDP falling within a range of 2.5 to 3.3 per cent from 1997 to 2000, accompanied by strong employment gains and moderate inflation. But economic growth faltered in 2001 and was even more sluggish in 2002. If such a performance were to continue, the European Union would not even come close to the ambitious strategic goal agreed upon at the Lisbon European Council in March 2000, namely, to become "the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion"[21] by the end of the first decade of this new millennium. The crucial issue now is to lay the foundations for a sustained and robust rate of growth over the medium term.

54. Hopes for a recovery in 2003 are pinned upon a cyclical upturn in the United States, which is being relied upon as an engine of global growth. But the large domestic and external imbalances in the United States now constrain its ability to continue playing this role.[22] Indeed, what is required in the United States is a greater emphasis on the growth of net exports, which means essentially switching expenditures from imported to domestically produced goods, in order to reduce the huge external deficit to more sustainable levels. The mechanism for achieving this is improved price competitiveness, i.e. a depreciation of the dollar. This process got under way with the decline of the dollar that started in 2002 and has continued in early 2003.

55. The implication, of course, is that the expected cyclical impulse from the United States is likely to be smaller than is anticipated in current forecasts. This points to the need for a greater reliance on domestic sources of economic growth in both Western Europe and Japan, which in turn would effectively help the adjustment process in the United States to advance more smoothly, given the stronger import demand from the rest of the world.

56. Economic growth can be stimulated by reforms in capital, labour and product markets and there is certainly a need for more progress in these areas.[23] But in the current cyclical context there is also a need for economic activity to be supported by more expansionary economic policies. The stance of monetary policy in the euro area was further relaxed in late 2002, but in view of the deteriorating growth prospects this appears to have been "too little, too late". A further lowering of interest rates is now warranted, given the persistent weakness of growth in the three larger euro area economies, especially in Germany.

57. Economic developments in the euro area in 2002 have once again led to a conflict between the fiscal policy rules embodied in the Stability and Growth Pact and the short-term stabilization needs of individual countries. A principal rationale for fiscal rules in the Economic and Monetary Union (EMU) is that they are designed to protect the ECB against pressures from high-debt countries for debt bailouts. Excessive levels of government borrowing are also seen as increasing the risk of interest rate spillovers to the other members of the EMU. Although these rationales are not uncontroversial, it goes without saying that long-term debt sustainability is a

matter of considerable concern, especially in view of the growing fiscal pressures arising from population ageing. The need to ensure generational balance, i.e. an equitable intergenerational distribution of fiscal burdens and social welfare, constitutes an enormous policy challenge. The fiscal pressures differ considerably across countries, but if not tackled in time they risk undermining the EMU.[24] But the looming generational imbalances also raise the wider issue of whether government debt-to-GDP ratios are always an appropriate measure of fiscal prudence or vulnerability.

58. The crux of the issue of quantitative fiscal rules, however, is not only that they always contain an element of arbitrariness but that they also may be too rigid in unexpectedly bad times, when more flexibility is required. The recent proposals by the European Commission aim to alleviate some of the concerns about the procyclical bias of the Stability and Growth Pact by shifting the focus of medium-term fiscal consolidation to cyclically adjusted budget deficits and by giving greater importance to the government debt criterion in the budgetary surveillance process.[25] At the same time, the deterioration of economic conditions in 2002 led to a postponement of the date for meeting the main fiscal targets (broadly balanced budgets) from 2004 to 2006. While going in the right direction, these new rules, however, do not apply to countries with significant budget deficits, which are required to reduce their structural deficits by 0.5 per cent of GDP a year from 2003, i.e. they will have to pursue a procyclical policy despite the worsening economic outlook, an approach that may well prove to be counterproductive.

59. An alternative solution would be to fix long-term targets only for government debt and to establish credible fiscal rules and mechanisms that force Governments to pursue them without imposing quantitative budget deficit targets in the short run.[26] This would allow the automatic stabilizers to be fully operational at all times and to provide scope for a discretionary stimulus when needed. It has also been proposed that countries be provided with some leeway for exceeding the current reference value for budget deficits, depending on the level of government debt. But, in any case, there is no easy way to reconcile short-term stabilization needs with long-term concerns about fiscal sustainability. There remains also the important issue of public infrastructure investment, which for reasons of intergenerational equity is often financed by borrowing (the so-called golden rule). The requirement to achieve a close-to-balance government budget may adversely affect the extent to which the public sector capital stock is being rebuilt and enhanced, if these investment expenditures are not excluded from the calculation of government financial positions, with negative long-run consequences for economic growth.

60. The degrees of flexibility in fiscal policy within the Stability and Growth Pact and the Code of Conduct also have significant implications for the acceding Eastern European countries. Applying the current EU fiscal rules could have particularly harmful consequences for those economies that are approaching EU accession with a weak fiscal position in terms of structural fiscal deficits and public debt. Some of the accession countries (in particular, most of the Central European economies) seem to fall into this category, at least insofar as their current financial position is concerned. Although until now there have been no accurate estimates of their structural deficits, recent research suggests that these might be quite sizeable.[27]

61. Their weak initial fiscal positions will be a double burden for the accession countries. They will require first of all an initial structural adjustment in the run-up to EMU accession in order to move closer to the reference fiscal deficit levels; given

their starting position, this implies a risk of excessive fiscal tightening in this period, with obviously negative consequences for economic growth. Second, even after such an adjustment, the EU fiscal rules may be detrimental for growth in the accession countries owing to the fact that their economies are still generally immature: compared with mature market economies, the Eastern European countries are more susceptible to external disturbances and hence to higher volatility of aggregate output. Consequently, in a cyclical downturn they will be more likely to exceed the fiscal deficit reference level, a situation which would require a needlessly severe fiscal tightening (fiscal policy would in fact become procyclical).[28] Third, once they are members of the EU, the accession countries will also be committed to achieving the main fiscal target, that of fiscal balance, which in some cases may require a new round of fiscal adjustment. Moreover, the net fiscal effect of EU membership on the acceding countries is expected to be negative, at least in the short run (see chap. 3.1 (ii)). Thus, even if revised in accordance with current proposals, EU fiscal rules may still impose excessively harsh policy constraints on newly acceding EU members, effectively creating an impediment to their economic growth.

62. These considerations once again highlight the importance of achieving a sustained upswing in the major economies of the EU, which would help to restore the balance of economic growth in the ECE region as a whole, with the larger economies resuming their leading role as engines of growth for the smaller and weaker Eastern European economies.

Notes

[1] Please note that the *Economic Survey of Europe, 2003* No. 1 (Geneva, ECE, 2003) was finalized in mid-February 2003, i.e. prior to the outbreak of the war in Iraq.

[2] These developments are reminiscent of the Austrian theory of business cycles (S. Oppers, *The Austrian Theory of Business Cycles: Old Lessons for Modern Economic Policy?*, IMF Working Paper WP/02/2, Washington, D.C., January 2002). Looking only at the major macroeconomic variables — output and productivity growth, inflation, unemployment, government budget deficits — the economic performance of the United States in the 1990s, especially in the second half, was quite successful (A. Blinder and J. Yellen, *The Fabulous Decade: Macroeconomic Lessons from the 1990s*, New York, The Century Foundation Press, 2001).

[3] ECE, *Economic Survey of Europe, 2002* No. 2 (Geneva, ECE, 2002), p. 36; Bank for International Settlements, *71st Annual Report* (Basel), 11 June 2001.

[4] European Commission, *Report of the High Level Group of Company Law Experts on a Modern Regulatory Framework for Company Law in Europe* (Brussels), 4 November 2002 [europa.eu.int/comm/internal_market/en/company/company/modern/consult/report_en.pdf].

[5] Another favourable factor for Eastern European exports in this period has been a shift in the composition of overall import demand in the developed market economies: while demand for investment goods (which is not an area of specialization for Eastern European exporters) shrank considerably, personal consumption, and hence demand for imports of consumer goods, in which Eastern Europe is mainly specialized, remained relatively strong in some countries.

[6] See, for example, *OECD Economic Outlook*, No. 72 (Paris, December 2002); European Commission, *European Economy*, No. 5 (Brussels, 2002).

[7] European Commission, *European Economy*, No. 2 (Brussels, 2002).

[8] According to the latest preliminary estimates, GDP growth is likely to have accelerated in the fourth quarter of 2002, mostly driven by the fast recovery in the services sector, while industrial output slowed down considerably.

[9] W. Nordhaus, "The economic consequences of a war with Iraq", *War with Iraq: Cost, Consequences and Alternatives*, American Academy of Arts and Sciences Occasional Paper, 2002, chap. 3 [www.amacad.org].

[10] *OECD Economic Outlook*, op. cit., pp. 46-47.

[11] A sustained sharp fall in oil prices would, of course, dampen economic growth and weaken government financial balances in the oil exporting countries, including Russia.

[12] For an early warning about the unsustainability of the United States domestic and external imbalances, see W. Godley and A. Izurieta, *As the Implosion Begins ... ? Prospects and Policies for the U.S. Economy: A Strategic View*, Jerome Levy Economics Institute, July 2001 [www.levy.org].

[13] More precisely, at levels below 2 per cent (IMF, *World Economic Outlook*, Washington, D.C., April 2002, chap. II, pp. 85-103). For a more general assessment of the risks of deflation related to the recent episode of rapid credit expansion, excessive debt accumulation, overinvestment and speculative financial market bubbles, see P. Warburton, *Debt and Delusion* (London, Penguin Books, 2000).

[14] Negative nominal interest rates are not in fact impossible, as is often assumed. A negative rate simply implies that the borrower is paid to borrow or, alternatively, is required to pay back less than was lent. This was effectively the situation for a while in the 1970s when, in an attempt to check the appreciation of the Swiss franc, Swiss banks were required to charge foreign customers for making deposits in banks in Switzerland. More recently, foreign banks in Japan have been able to charge the large numbers of Japanese wanting to deposit their money with them rather than Japanese banks, whose solvency might be doubtful. In late January 2003, the overnight call rate on funds traded between foreign banks in Japan fell at one point to minus 0.1 per cent. This is perhaps a special case in that it reflected the institutional arrangement in Japan whereby the banks are required either to lend their surplus funds or place them with the Bank of Japan. Since the central bank has recently been reducing the volume of deposits it is prepared to accept, the foreign banks are forced to lend, even at negative rates of interest. See "Japan's interest rates fall below zero", *Financial Times*, 25/26 January 2003.

[15] A. Ahearne and others, *Preventing Deflation: Lessons from Japan's Experience in the 1990s*, Board of Governors of the Federal Reserve System, International Finance Discussion Papers, No. 729 (Washington, D.C.), June 2002.

[16] Deutsches Instit für Wirtschaftsforschung, "Grundlinien der Wirtschaftentwicklung 2003/2004", *Wochenbericht 1-2/2003* (Berlin), 9 January 2003.

[17] Falling prices encourage consumers to postpone spending in the expectation of still lower prices. Deflation also increases the real burden of debt.

[18] A. Ahearne and others, op. cit., p. 5.

[19] Ibid., p. 6.

[20] The Federal Reserve Board, "Deflation: making sure 'it' doesn't happen here", remarks by Governor Ben S. Bernanke before the National Economists Club (Washington, D.C.), 21 November 2002 [www.federalreserve.gov].

[21] Lisbon European Council, 23 and 24 March 2000, Presidency Conclusions [www.europarl.eu.int/summits].

[22] ECE, *Economic Survey of Europe, 2002* No. 2 (Geneva, ECE, 2002), p. 37.

[23] European Commission, Economic Policy Committee, *Annual Report on Structural Reforms 2002* (Brussels), 5 March 2002, ECFIN/EPC/117/02-EN. The empirical effects of product market liberalization on labour market performance, however, are difficult to gauge and probably not very large (G. Nicoletti and others, "European integration, liberalization and labor market performance", in G. Bertola, T. Boeri and G. Nicoletti (eds.), *Welfare and Employment in a United Europe*, Cambridge MA, The MIT Press, 2001, pp. 147-235).

[24] N. Ferguson and L. Kotlikoff, "The degeneration of EMU", *Foreign Affairs*, March/April 2000, pp. 110-121; N. Ferguson, *The Cash Nexus* (London, Allen Lane, The Penguin Press, 2001), pp. 332-340.

[25] Chap. 2.2.

[26] It has even been suggested that independent fiscal policy committees be established (along the lines of independent central banks), which would have to ensure that the long-run targets for sustainable levels of debt are met, while deciding on the annual levels of budget deficits in a flexible manner, depending on macroeconomic conditions (C. Wyplosz, *Fiscal Policy: Institutions versus Rules*, Centre for Economic Policy Research (CEPR) Discussion Paper, No. 3238, London, February 2002).

[27] A recent empirical study concludes that the large deficits in some accession countries in recent years are largely structural (F. Coricelli and V. Ercolani, *Cyclical and Structural Deficits on the Road to Accession: Fiscal Rules for an Enlarged European Union*, CEPR Discussion Paper, No. 3672, London, December 2002).

[28] Ibid.

Table 1
Annual changes in real GDP in the ECE region, 1999-2003

(Percentage change over previous year)

	1999	*2000*	*2001*	*2002*	*2003*
ECE region	3.3	4.0	1.2	2.0	2.4
Western Europe	2.4	3.6	1.2	1.0	1.7
European Union	2.8	3.4	1.6	0.9	1.6
Euro area	2.8	3.5	1.5	0.8	1.4
North America	4.2	3.8	0.4	2.4	2.5
United States	4.1	3.8	0.3	2.3	2.5
Eastern Europe	1.5	3.9	3.0	3.0	3.9
CIS	4.5	8.2	6.0	4.8	4.4
Russian Federation	5.4	9.0	5.0	4.3	4.0
Memorandum items:					
Europe (Eastern and Western)	2.3	3.6	1.4	1.2	1.9
Europe (Eastern and Western) and CIS	2.6	4.2	2.0	1.7	2.3

Source: ECE Statistical Database; European Commission, *European Economy*, No. 5 (Brussels), 2002; *OECD Economic Outlook*, No. 72 (Paris), December 2002; direct communications from national statistical offices to ECE secretariat.

Note: The regional aggregates are computed by summing over all countries the constant prices series rescaled to the price level of the common base year 2000 and converted into dollars using the GDP purchasing power parity of the year 2000.

Table 2
Changes in real GDP in the developed market economies, 2001-2003
(Percentage change over previous year)

	2001	2002	2003
France	1.8	1.0	1.6
Germany	0.6	0.2	0.8
Italy	1.8	0.4	1.3
Austria	0.7	0.7	1.3
Belgium	0.8	0.7	1.4
Finland	0.7	1.4	2.6
Greece	4.1	3.5	3.6
Ireland	5.7	3.3	3.9
Luxembourg	1.0	0.1	2.0
Netherlands	1.3	0.2	1.0
Portugal	1.7	0.7	1.4
Spain	2.7	1.9	2.3
Euro area	1.5	0.8	1.4
United Kingdom	2.0	1.6	2.4
Denmark	1.0	1.7	1.8
Sweden	0.8	1.6	2.1
European Union	1.6	0.9	1.6
Cyprus	4.1	1.8	3.5
Iceland	1.5	-0.6	1.5
Israel	-0.9	-1.0	1.0
Malta	-0.8	2.5	3.4
Norway	1.4	2.1	1.5
Switzerland	0.9	-0.2	1.0
Turkey	-7.4	3.7	3.6
Western Europe	1.2	1.0	1.7
Canada	1.5	3.3	3.1
United States	0.3	2.3	2.5
North America	0.4	2.4	2.5
Japan	0.3	-0.7	0.4
Total above	0.7	1.4	1.9
Memorandum items:			
4 major Western European economies	1.4	0.7	1.5
Western Europe and North America	0.8	1.7	2.1

Source: Eurostat; OECD national accounts; national statistics; European Commission, *European Economy*, No. 5 (Brussels), 2002; *OECD Economic Outlook*, No. 72 (Paris), December 2002; Consensus Economics, *Consensus Forecasts*, January 2003; *The Economist*, 25 January 2003.
Note: All aggregates exclude Israel. Data for 2002 are preliminary estimates. Data for 2003 are forecasts.

Table 3
Annual changes in real GDP in Eastern Europe and the CIS, 1999-2003
(Percentage)

	1999	2000	2001	2002 Jan.-Sep.[a]	2002 Full year[b]	2003 Official forecast
Eastern Europe	1.5	3.9	3.0	2.8	3.0	3.9
Albania	7.3	7.8	6.5	..	4.5	6
Bosnia and Herzegovina	10.6	4.5	2.3	..	4	4
Bulgaria	2.3	5.4	4.0	4.4	4.2	4.8
Croatia	-0.9	2.9	3.8	5.0	4.6	4.2
Czech Republic	0.5	3.3	3.3	2.4	2.5	3.3
Estonia	-0.6	7.1	5.0	5.7	5.7	5
Hungary	4.2	5.2	3.8	3.2	3.2	3.7-4.0
Latvia	2.8	6.8	7.7	5.4	5.7	5.6
Lithuania	-3.9	3.8	5.9	6.1	5.9	4.9
Poland	4.1	4.0	1.0	0.9	1.3	3.0-3.5
Romania	-1.2	1.8	5.3	4.6	4.7	5.2
Slovakia	1.3	2.2	3.3	4.1	4	3.7-4.1
Slovenia	5.2	4.6	3.0	2.9	3.2	3.4
The former Yugoslav Republic of Macedonia	4.3	4.5	-4.5	-0.6	0.3	2-3
Yugoslavia[c]	-17.7	6.4	5.1	..	4	5
CIS	4.5	8.2	6.0	4.5	4.8	4.4
Armenia	3.3	5.9	9.6	11.0	12.9	6
Azerbaijan	7.4	11.1	9.9	9.8	10.6	7.5
Belarus	3.4	5.8	4.7	4.6	4.7	6-6.5
Georgia	3.0	1.9	4.7	1.9	5.4	4.5
Kazakhstan	2.7	9.8	13.5	9.3	9.5	6
Kyrgyzstan	3.7	5.4	5.3	-3.0	-0.5	5-6
Republic of Moldova[c]	-3.4	2.1	6.1	5.9	7.2	5
Russian Federation	5.4	9.0	5.0	4.1	4.3	3.5-4.4
Tajikistan	3.7	8.3	10.2	8.9	9.1	7.4
Turkmenistan[c]	17.0	17.6	20.5	..	21.2	16
Ukraine	-0.2	5.9	9.1	4.3	4.1	4
Uzbekistan	4.4	4.0	4.5	3.0	4.2	5.3
Total above	3.3	6.5	4.8	3.8	4.1	4.2
Memorandum items:						
Baltic States (BS-3)	-1.2	5.5	6.3	5.8	5.8	5.1
Central Europe (CE-5)	3.2	3.9	2.2	2.0	2.2	3.4
South-Eastern Europe (SEE-7)	-2.0	3.4	4.5	4.2	4.4	4.9
CIS without Russian Federation (CIS-11)	2.7	6.6	8.4	5.6	5.9	5.3

	1999	2000	2001	2002 Jan.-Sep.[a]	2002 Full year[b]	2003 Official forecast
Caucasian CIS countries (CCIS-3)	5.0	6.9	8.1	7.6	9.5	6.3
Central Asian CIS countries (CACIS-5)	5.0	7.6	9.3	6.6	7.2	5.8
Three European CIS countries (ECIS-3)	0.8	5.7	7.7	4.4	4.4	4.7

Source: National statistics, CIS Statistical Committee; direct communications from national statistical offices to the ECE secretariat; reports by official forecasting agencies.

Note: Forecasts are those of national conjunctural institutes or government forecasts associated with the central budget formulation. Aggregates are ECE secretariat calculations, using purchasing power parties obtained from the 1996 European Comparison Programme. Aggregates shown are: Eastern Europe (the 15 countries below that line), CIS (the 12 member countries of the Commonwealth of Independent States). Sub-aggregates: Baltic States (BS-3): Estonia, Latvia, Lithuania; Central Europe (CE-5): Czech Republic, Hungary, Poland, Slovakia, Slovenia; South-Eastern Europe (SEE-7): Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Romania, The former Yugoslav Republic of Macedonia, Yugoslavia; Caucasian CIS countries (CCIS-3): Armenia, Azerbaijan, Georgia; Central Asian CIS countries (CACIS-5): Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan; three European CIS countries (ECIS-3): Belarus, Republic of Moldova, Ukraine.

[a] Over the same period of 2001.

[b] Preliminary estimates.

[c] Excluding Kosovo and Metohija.

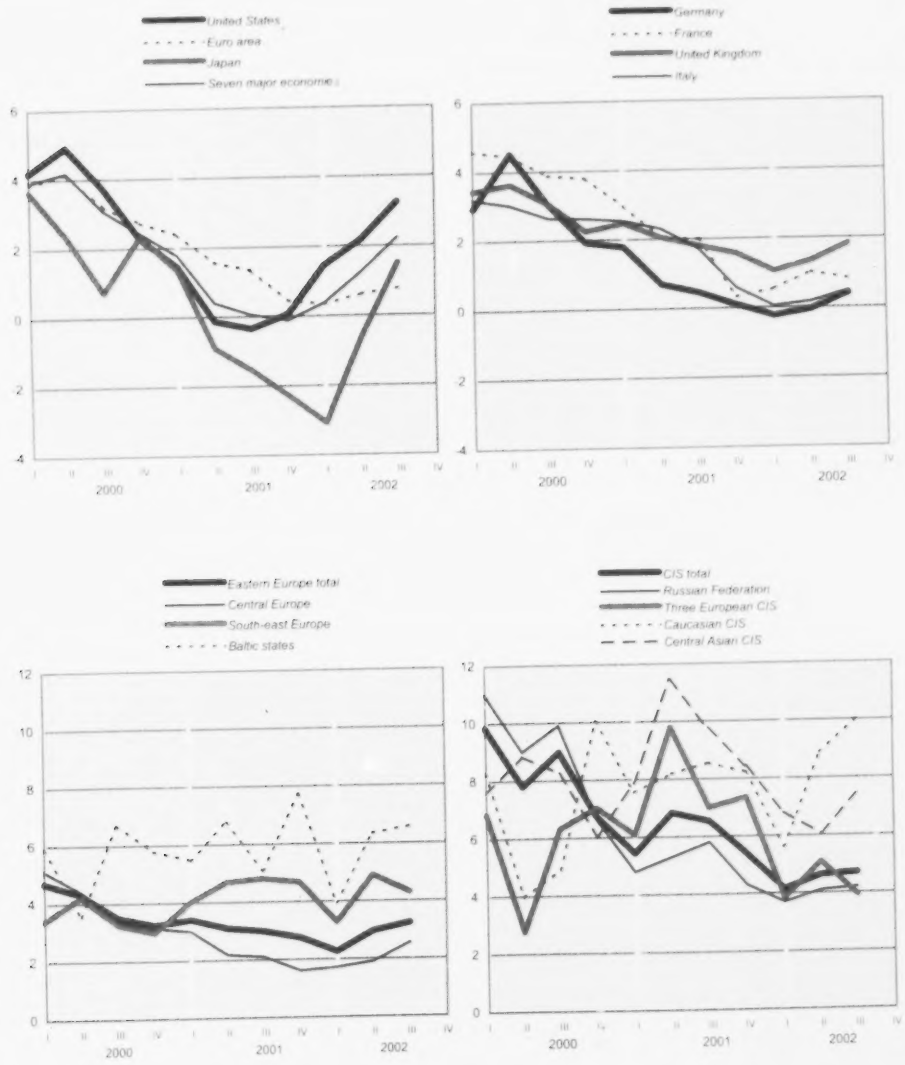
[d] Excluding Transdniestria.

[e] Figures for Turkmenistan should be treated with caution. In particular, the deflation procedures that are used to compute officially reported growth rates are not well documented and the reliability of these figures is questionable.

Chart

Quarterly changes in real GDP in the ECE economies, 2000QI-2002QIII

(Percentage change over the same period of previous year)



Source: National statistics; Eurostat, New Cronos Database.

Note: Data for developed market economies are seasonally adjusted. Seven major economies: Canada, France, Germany, Italy, Japan, United Kingdom and United States. On the composition of regional sub-aggregates in Eastern Europe and the CIS, see the note to table 3.